

# Effectiveness Performance of Bank Credit on the Event Management Firms in Tamilnadu State

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This study investigates the effect of bank credit on the business performance of unorganized event management firms. The ability of small enterprises to acquire financing has always been seen as a serious challenge. The government must improve infrastructure and market access, while small businesses must create a business environment regarding regulations and how they are implemented to create opportunities for small entrepreneurs. The study covers 230 unorganized event organizers. The qualitative data were collected using a well-crafted questionnaire. The study results proved that bank credit has significantly influenced the business performance of event management firms. Moreover, bank credit has substantially influenced business performance in developing a capacity to conduct multiple events simultaneously, business growth, ROI, profitability, competitive advantage, the purchase of new equipment, and the adoption of recent technology. The study recommended that banks frame adequate policies to support small business firms access to bank credit without any hindrance. The bank credit substantially influenced the business performance of event management firms. Furthermore, bank credit has substantially influenced business performance in developing a capacity to conduct multiple events simultaneously, business growth, ROI, profitability, competitive advantage, the purchase of new equipment, and the adoption of recent technology.

**Keywords:** Bank Credit, Business Performance, Event management

## **1. Introduction**

Event management is growing as a major contributor to India's economy (Allied Market Research, 2022). [3] As a result of globalization, multinational corporations began flowing into India, giving it a head start. It became a profession because people felt the need to plan an event successfully. At first, the only players in the industry were the big names with connections abroad who assisted them in planning the events (Hjalager & Kwiatkowski, 2018).[9] Earlier, various activities were combined to provide a grand celebration, but nowadays, features like glitz and glamour are heavily added to the event to give it a distinctive feel and make it stand out from other gatherings (Hoon 2007).[11] Just like any other business or organization, events require the skills of specialists. This is because various event categories offer a range of products that address various needs. The scope of event management includes everything from planning a modest birthday celebration to a large international mega-event like the Commonwealth Games (Carlsen et al., 2010).[6]

Entrepreneurship ventures like event management have a positive social and economic impact on India's economy (Amarendra, 2018).[4] There are no natural obstacles for event management service providers to launch their businesses. However, unorganized players heavily influence the events industry. These service providers are either undefined small businesses or undefined individuals (Elsaid et al. 2011). [7] Event management firms foster innovation, transform people's perspectives, and create new markets. It is thus referred to as a potential engine for economic progress, but the ability of small enterprises to acquire financing has always been seen as a serious challenge. The effectiveness and performance of bank credit play a pivotal role in shaping the growth and success of event management firms. Event management companies are dynamic entities that organize a wide range of events, from corporate conferences and trade shows to weddings and concerts. These firms require substantial financial resources to manage various aspects of their operations, including venue booking, equipment rental, talent acquisition, marketing, and logistical arrangements. This is where bank credit comes into play. Bank credit refers to the financial assistance provided by banks to businesses, enabling them to access funds for their operational and strategic needs. In the context of event management firms, bank credit can be in the form of loans, lines of credit, or other financial instruments that allow these firms to cover upfront costs, manage cash flow fluctuations, and invest in their growth initiatives (Sivapermal K. et al., 2013).[14] The effectiveness of bank credit for event management firms can be evaluated through various lenses. This includes assessing how well the credit offerings align with the unique financial requirements of event management businesses, such as the flexibility of repayment terms, interest rates, and collateral demands. Additionally, the efficiency of the credit application and approval process, as well as the bank's responsiveness to the firm's evolving financial needs, contribute to the overall effectiveness of the credit arrangement.

The performance of bank credit is measured by its impact on the growth, stability, and innovation capabilities of event management firms. Well-structured credit can empower these firms to take on larger projects, expand their service offerings, and invest in technological advancements that enhance event experiences.[8] On the other hand, poorly managed credit arrangements can lead to financial strain, hampering a firm's ability to deliver high-quality events and meet client expectations.

It's important to recognize that the relationship between bank credit and event management firms is symbiotic. As event management companies grow and prosper, they contribute to the local economy by generating employment, stimulating tourism, and boosting related industries. This, in turn, strengthens the financial ecosystem that banks rely on (Arun, R.).[10]. The government must improve infrastructure and market access, while small businesses must create a business environment regarding regulations and how they are implemented to create opportunities for small entrepreneurs (Selim et al. 2017). [18] Small businesses in India account for nearly 60% of jobs and 75% of the country's value-added. However, access to external financing, like in many other countries, is a significant barrier to their development. Small business support is a complicated phenomenon (GOI, 2021). No one model has been created to date that can effectively explain why some small businesses succeed while others do not, even though it has attracted academic study. So, the present study has focused on the effect of bank credit on the performance of event management firms.

## **2. Literature Review**

According to Agbozo and Yeboah (2012), [2] bank credit was a significant source of capital since it helped businesses reduce transaction costs, lower risk, take advantage of discounts, and rectify market imperfections in emerging economies and during financial crises in developed nations. Commercial loan financing denotes the money borrowed from private persons, banks, cooperatives, microfinance organizations, and other lenders to develop business operations (Munyuny, 2013).[15] However, Vo et al. (2011) [19] noted that start-up enterprises in Vietnam were hesitant to submit formal loan proposals to banks and found it challenging to get approval due to their position in the business cycle.

Abouzeedan (2003) [1] identified that the small business units (SBUs), a department of the American government, contribute to the funding of SBUs by enticing banks and other financial institutions to extend loans to small businesses and support new initiatives. Kihimbo et al. (2012)[13] identified bank loans as one of the sources of start-up financing for SMEs in Kenya's Kakamega Municipality.

Rosenberg et al. (2009) [16] stated that business entities preferred banks for getting large loans. The banks were the most excellent source for availing short-term debt because of low interest rates (Jun & Jen, 2003).[12] There is strong evidence that bank credit has been a common source of funding in both developing and developed countries, serving as both a primary source and an alternative and complementary source of capital. As a result, this study is necessary to examine how bank credit affects the business performance of unorganized event organizers.

Based on the earlier studies, the following hypotheses were framed:

- H1: Bank credit significantly impacts the business performance of unorganized event organizers.
- H2: ROI has an antecedent in the business performance of unorganized event organizers.
- H3: Business growth has an antecedent in the business performance of unorganized event organizers.
- H4: Profitability is an antecedent of the business performance of unorganized event organizers.
- H5: Comparative advantage has an antecedent in the business performance of unorganized event organizers.
- H6: Equipment purchased has an antecedent in the business performance of unorganized event organizers.
- H7: Recent technology adoption has an antecedent in the business performance of unorganized event organizers.
- H8: The capacity to conduct multiple events is an antecedent of the business performance of unorganized event organizers.

## **3. Materials and Methods**

The prime objective of this study is to investigate the effect of bank credit on the performance of event management firms. The study covers unorganized event organizers in Tamil Nadu, providing many unorganized event-organizing firms. A sample of 230 unorganized event organizers has been randomly selected for the study. This study used a questionnaire to amass data from the event organizers. The 5-point Likert scale was utilized to assess the variables. The qualitative data collected from the event organizers were analyzed by using SPSS and SPSS-AMOS. The study performed descriptive statistics and the single-sample 't-test. Thus, path analysis was used to gauge the causal effect among the study constructs.

Reliability Test for Research Tool: Cronbach's alpha ( $\alpha$ ) values were used to check the internal consistency of the study variables (Table 1). The  $\alpha$  value should be at .60 or higher to show internal consistency or satisfactory convergence (Sekaran & Bougie, 2016).[17] All the study variables had Cronbach's alpha values over .60, revealing the reliability of the composite measure.

**Table 1:** Reliability of the Dimensions in the Questionnaire

Constructs	No. of Items	$\alpha$
Bank credit support	8	.816
Business performance	7	.743
Overall	15	.824

Normality Test for the Study Variables: The Kolmogorov-Smirnov (K-S) test is employed to determine the normality of data collected from event organizers. Since the values are greater than 0.05, the K-S test result demonstrates that all research variables are normally distributed (Table 2). As a result, it is also confirmed that data can be used to apply statistical techniques.

**Table 2:** Normal Distribution of Study Variables

Constructs	K-S Test	Sig.
Bank credit support	.172	.000
Business performance	.154	.000

## 4. Discussion and Conclusion

Firmographics of event organizers showed that 61.7% of the event organizers are sole proprietors. 46.8% of the event organizers are medium-sized organizations, and 37.3% are 11-15 years old enterprises. 43.2% of the event organizers are arranging personal events, and most of their annual turnover ranges between 11-20 lakhs in a year (Table 3).

Table 3: Firmographics of the Event Organisers

Firmographics		Frequency (N=230)	%
Nature of organization	Sole proprietorship	142	61.7
	Partnership	88	38.3
Type of organization	Large	54	23.6
	Medium	108	46.8
	Small	68	29.5
Age of business (in years)	Below 5	33	14.5
	6-10	70	30.5
	11-15	86	37.3
	Above 15	41	17.7
Type of events organized	Personal event	99	43.2
	Educational Event	53	23.2
	Cultural event	77	33.6
Annual turnover (in Lakhs)	Below 10	66	28.6
	11-20	102	44.5
	Above 20	62	26.8

**Table 4:** Descriptive and Single-sample T-test for Bank Credit Support

Items	$\bar{x}$	$\sigma$	t	P.
A bank loan is a vital support for my business	4.03	0.58	13.00	.000
Easy to avail of a loan from banks	3.39	0.64	22.78	.000
Easy to access bank loans	4.35	0.70	17.06	.000
A Bank loan helps to perform my business better	4.11	0.63	14.32	.000
I receive overdrafts from my bank	4.13	0.62	9.76	.000
Overdraft aids my business in performing better	4.29	0.68	14.84	.000
I receive a line of credit finance	4.36	0.61	7.45	.000
The line of credit makes my business perform better	4.14	0.54	16.89	.000

There is a substantial variance in the bank credit support to event organizers since t-test values are significant at a 5% level. Thus, mean values for the variables of bank credit are greater than 4, which shows the banks are highly supportive of event organizers except to avail loans from banks. This is due to cumbersome formalities (Table 4).

**Table 5:** Descriptives and Single-sample ‘t’ test for Business Performance

Items	$\bar{x}$	$\sigma$	t	P.
Return on investment (ROI)	4.21	0.44	10.92	.000
Business growth (BG)	4.29	0.68	28.07	.000
Profitability (PRO)	4.26	0.68	16.81	.000
Competitive advantage (CA)	4.03	0.74	10.42	.000
New equipment purchased (EQP)	3.98	0.76	11.55	.000
Recent technology adopted (TEC)	4.05	0.67	8.10	.000
Capacity to conduct multiple events (MEVT)	4.30	0.63	26.18	.000

There is a substantial variance in the business performance of event organizers since the t-test values are significant at a 5% level. Thus, mean values for the variables of business performance of event organizers are greater than 4, which shows the event organizers are satisfied with the business performance (Table 5).

Effect of Bank Support on Business Performance

Measuring the nature of the relationship between the associated variables is essential to all research. Consequently, an effort has been made to determine how bank support affects business performance. In this regard, path analysis is employed to determine how these variables are related to one another (Table 6). A satisfactory level of fit is produced by the goodness of fit indices for the SEM (GFI=0.92; CFI=0.90; TLI=0.91; 2/df =3.86). The value of the RMSEA is 0.036, which is in line with the recommendations (RMSEA < 0.08) of Browne & Cudeck (1992). [5] It delineates that the result ascertained a strong model fit.

**Table 6:** Regression Weights

Hypotheses	Estimate	S.E.	C.R.	P	Result
H8 MEVT <-- BP	1.00				
H7 TEC <-- BP	.56	.03	17.21	***	Supported
H6 EQP <-- BP	.78	.05	17.18	***	
H5 CA <-- BP	.43	.04	10.12	***	
H4 PRO <-- BP	.74	.04	19.16	***	
H3 BG <-- BP	1.38	.06	24.03	***	
H2 ROI <-- BP	.81	.06	14.44	***	
H1 BC <-- BP	.34	.05	6.85	***	

The path diagram proves the strength of the relationship between the variables. The standardized regression coefficients for MEVT, and BG are .76 and .82, respectively which indicates these variables have a strong influence on the business performance of event organizers. Additionally, the standardized regression coefficients for PRO, TEC, EQP, and ROI are .65, .59, .61, and .51, respectively. It indicates that these variables have a substantial influence on the business performance of event organizers. Finally, the regression coefficient between business performance and bank credit is 0.54. So, it is inferred that bank credit has significantly influenced the business performance of event organizers. The above results support H1-H8 (Fig. 1).

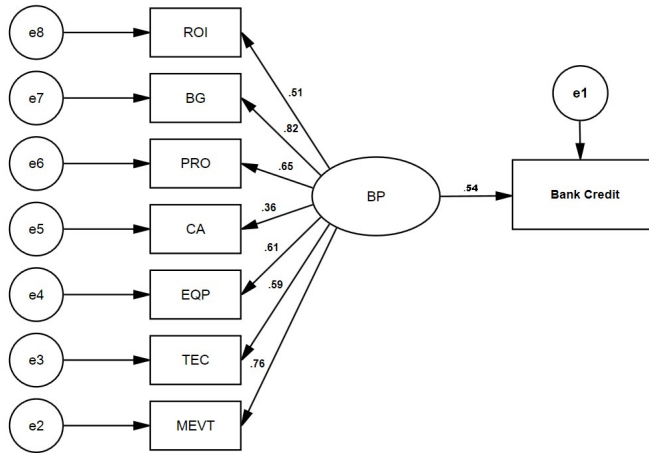


Fig. 1: Effect of Bank Credit on Business Performance

## 5. Conclusion

The study has focused on the effect of bank credit on the business performance of unorganized event management firms. The study result proved that bank credit substantially influenced the business performance of event management firms. Furthermore, bank credit has substantially influenced business performance in developing a capacity to conduct multiple events simultaneously, business growth, ROI, profitability, competitive advantage, purchase of new equipment, and adoption of recent technology. The study recommended that each small business must have a sound financial management system in place to utilize bank financing effectively and on time. Banks should frame adequate policies to support small business firms to access bank credit without any hindrance. In the state of Tamil Nadu, the symbiotic relationship between the effectiveness and performance of bank credit and event management firms has demonstrated its significance in driving economic growth and innovation.

The government should provide taxes and guarantee benefits to small businesses. In addition, the Chambers of Commerce and Entrepreneurship and Small Business Development should set up a database that includes the number of small projects in India, the number of initiatives, beneficiaries, and the value of initiatives, as well as training programs for small businesses related to capital management, human capital management, the extraction of export cards, and training programs related to customs procedures and international trade agreements. It also helps to students or upcoming people to start to event management for utilize the benefits of bank credit on event management firms can provide them with practical insights into the real-world applications of finance in the events industry. Explain how bank credit allows event management firms to access funds for expanding their operations. This could involve taking on larger projects, diversifying service offerings, and targeting new markets. Emphasize that bank credit offers flexibility in managing cash flow. Students should understand that during seasonal fluctuations or periods of high demand, firms can use credit to bridge gaps and maintain smooth operations. By presenting these benefits in a clear and relatable manner, students can gain a comprehensive understanding of how bank credit plays a pivotal role in the growth and success of event management firms. This knowledge equips them to make informed decisions and consider the financial implications when working in or with the events industry. As the event management industry continues to flourish in this region, the role of bank credit has proven to be a critical factor in shaping the success and sustainability of these firms. The availability of well-structured bank credit has allowed event management companies in Tamil Nadu to overcome financial barriers and seize opportunities that contribute to their growth. This financial

support has enabled them to organize larger and more sophisticated events, expand their service offerings, and invest in cutting-edge technologies and talent. As a result, the events hosted in Tamil Nadu have garnered recognition and drawn participants from across the country and beyond, boosting tourism and the local economy.

## **6. Future Research Studies**

Certainly, here are some potential future research studies that could be conducted to further explore the effectiveness and performance of bank credit on event management firms in the state of Tamil Nadu.

- ❖ Explore how event management firms' clients perceive the impact of bank credit on the quality and success of events.
- ❖ Examine the nature of relationships between event management firms and banks in Tamil Nadu. Investigate factors that contribute to successful collaborations, including responsiveness of banks, negotiation of credit terms, and post-loan support.
- ❖ Investigate how event management firms in Tamil Nadu assess and mitigate risks associated with borrowing and credit utilization. Explore strategies firms employ to ensure that credit doesn't lead to financial strain in case of unexpected challenges.

These research studies would contribute to a deeper understanding of how bank credit influences the effectiveness and performance of event management firms in the specific context of Tamil Nadu. They could provide valuable insights for both industry practitioners and policymakers in the region.

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