

## Youth Entrepreneurship and the Role of Commercial Banks in Bihar's Economic Developments

Amarjeet Kumar<sup>1\*</sup> & Dr. Vinod Baitha<sup>2</sup>

<sup>1</sup>Research Scholar, University Department of Commerce, B.R.A. Bihar University, Muzaffarpur, Bihar, India.

<sup>2</sup>Assistant Professor, University Department of Commerce, B.R.A. Bihar University, Muzaffarpur, Bihar, India.

\*Corresponding Author: kumaramarjeet843117@gmail.com

*Citation: Kumar, A., & Baitha, V. (2025). Youth Entrepreneurship and the Role of Commercial Banks in Bihar's Economic Developments. Journal of Commerce, Economics & Computer Science, 11(03), 183–187. <https://doi.org/10.62823/jcecs/11.03.7956>*

### ABSTRACT

Despite its demographic advantages, Bihar continues to experience economic stagnation due to infrastructure deficits, limited industrialization, and high unemployment rates, especially among youth. This paper explores the role of youth entrepreneurship in addressing these challenges and suggests that strategic collaboration with commercial banks can foster sustainable economic development in the region. Using a mixed-methods approach, the study assesses the existing entrepreneurial ecosystems, the accessibility of financial resources, and the responsiveness of commercial banks. The findings reveal significant gaps in financial inclusion and emphasize the need for institutional reforms and targeted strategies to engage youth. The study finishes with policy proposals designed to convert Bihar's unexploited potential into concrete developmental results via youth-led companies.

**Keywords:** Youth Entrepreneurship, Financial Inclusion, Bihar, Economic Development, Commercial Banks.

### Introduction

Bihar, one of India's most populous and historically significant states, continues to face enduring socio-economic challenges despite various policy interventions and reform efforts. The state's economic landscape has been shaped by persistent underinvestment in infrastructure, a heavy reliance on agriculture marked by low productivity, limited industrial diversification, and inadequate access to formal financial services. These structural impediments have contributed to high unemployment, regional disparities, and migration, particularly among the youth. Nevertheless, Bihar's demographic composition offers a compelling counter-narrative. With a significant proportion of its population under the age of 35, the state is uniquely positioned to leverage its youthful human capital as a driver of economic transformation.

In this context, youth entrepreneurship emerges as a critical avenue for inclusive development. Entrepreneurial initiatives led by young individuals not only serve as vehicles for innovation and job creation but also foster a culture of self-reliance and resilience. The potential of such entrepreneurship is amplified when supported by robust financial institutions. Commercial banks, as foundational pillars of the financial system, possess the capacity to provide much-needed capital, financial literacy, credit facilitation, and risk mitigation frameworks. By aligning the aspirations of young entrepreneurs with the structured support of commercial banks, a synergistic model can be developed to stimulate economic growth and address regional developmental imbalances.

This paper explores the transformative potential of youth-driven entrepreneurship in Bihar, with a particular focus on the enabling role of commercial banks. It aims to assess the current ecosystem for youth entrepreneurship, evaluate the extent of financial inclusion and institutional support available, and identify systemic challenges that hinder entrepreneurial growth. Through a comprehensive analysis, the study proposes strategic interventions that can enhance the efficacy of bank-led financial support and policy mechanisms in nurturing youth leadership. In doing so, the research aligns with the broader national vision of *Vikshit Bharat* (Developed India), advocating for a development paradigm that is participatory, inclusive, and sustainable.

### Methodology

This study adopts a **mixed-methods research design**, combining both qualitative and quantitative approaches to provide a comprehensive understanding of youth entrepreneurship in Bihar and the role of commercial banks in its promotion.

#### Quantitative Analysis

- **Primary Data Collection:** Structured surveys were administered to 250 young entrepreneurs across urban and semi-urban districts of Bihar, focusing on business challenges, financial access, and support systems.
- **Secondary Data Analysis:** Statistical data from sources such as the Reserve Bank of India (RBI), NITI Aayog, Ministry of Skill Development and Entrepreneurship (MSDE), and Bihar Economic Surveys were analyzed to assess trends in youth employment, bank credit disbursement, and MSME performance.

#### Qualitative Analysis

- **Key Informant Interviews:** In-depth interviews were conducted with officials from commercial banks, government departments, startup incubators, and non-governmental organizations involved in youth and economic development.
- **Case Studies:** A set of five case studies were developed to showcase successful youth-led ventures in Bihar that received banking support, highlighting enabling factors and replicable models.

The integration of these data sources enabled triangulation and validation of findings. The analysis is framed within the theoretical context of entrepreneurial ecosystem development and inclusive growth.

### Literature Review

Youth entrepreneurship has garnered increasing scholarly attention as a vital mechanism for economic development, innovation, and employment generation in developing regions (Mitra & Abubakar, 2011; Kshetri, 2020). In the context of India, young entrepreneurs represent a critical demographic that can offset high youth unemployment and stimulate inclusive growth (NITI Aayog, 2022). However, the entrepreneurial landscape is shaped by multifaceted factors, including socio-cultural dynamics, institutional frameworks, and financial accessibility.

Bihar's unique socio-economic environment presents both opportunities and challenges for youth entrepreneurship. Historically marked by infrastructural deficits and reliance on agriculture, the state has lagged behind in industrialization and formal employment creation (Sinha, 2021). The region's youthful demographic is often underemployed, with limited exposure to skill development and entrepreneurial training (Jha, 2018). This demographic dividend, if properly harnessed, holds the promise of transforming Bihar's economic trajectory.

Financial inclusion remains one of the most significant bottlenecks for youth entrepreneurs, particularly in states like Bihar where banking penetration and financial literacy rates are relatively low (Sharma & Taneja, 2019). Commercial banks play a pivotal role in enabling enterprise development by providing credit, savings, and advisory services. However, risk-averse lending practices, stringent collateral requirements, and inadequate product customization limit effective outreach to young startups (Reserve Bank of India, 2020). Several studies emphasize the need for innovative financial instruments and regulatory reforms to bridge these gaps (World Bank, 2019).

Further, institutional support beyond finance — such as mentorship, market linkages, and incubation facilities — is crucial for entrepreneurial success (Kshetri, 2020; Mitra & Abubakar, 2011). The interaction between banks and youth entrepreneurs is often mediated by government schemes like MUDRA and Startup India, which aim to reduce barriers but have varying degrees of penetration in Bihar (NITI Aayog, 2022). Evaluations of these schemes highlight challenges in awareness, accessibility, and bureaucratic delays that dilute their effectiveness (Jha, 2018).

Schumpeter's (1934) classical theory of economic development positions entrepreneurship as the engine of creative destruction and innovation, which is especially relevant for transforming lagging regions. Applying this lens, youth entrepreneurship in Bihar can be seen as a lever to disrupt traditional economic patterns and introduce new value chains, especially when supported by responsive financial institutions.

In sum, the literature underscores a consensus that while youth entrepreneurship is a promising pathway for Bihar's development, systemic challenges in finance, infrastructure, and institutional support must be addressed. This paper contributes to this discourse by providing empirical evidence on the role of commercial banks and proposing actionable strategies to optimize the synergy between youth entrepreneurial leadership and financial institutions.

### **Research Objectives**

The primary objective of this study is to examine how youth entrepreneurship, when effectively supported by commercial banking institutions, can serve as a catalyst for economic development in Bihar. The study is guided by the following specific objectives:

- **To assess** the current landscape of youth entrepreneurship in Bihar, including key sectors, trends, and challenges.
- **To evaluate** the role and responsiveness of commercial banks in financing and supporting youth-led enterprises in the state.
- **To identify** the structural, institutional, and socio-cultural barriers that inhibit youth from starting and sustaining entrepreneurial ventures.
- **To explore** successful models and best practices of youth-bank partnerships in fostering inclusive economic growth.
- **To propose** policy and institutional strategies for strengthening the entrepreneurial ecosystem in Bihar, with a focus on youth empowerment and financial inclusion.

### **Data Analysis**

The data collected from surveys, interviews, and secondary sources reveal several critical insights into Bihar's youth entrepreneurship ecosystem:

- **Entrepreneurial Activity:** A significant proportion of surveyed youth expressed entrepreneurial intent; however, only a fraction had formalized their ventures due to high entry barriers and limited access to initial capital.
- **Financial Access:** Over 65% of respondents reported difficulty in securing loans from commercial banks, citing lack of collateral, complex documentation, and low credit history as major constraints.
- **Support Systems:** While government schemes like MUDRA and Startup India have been launched, awareness and reach remain low among rural and semi-urban youth.
- **Bank Engagement:** Interviews with banking officials revealed a cautious approach to youth-led ventures, with preference given to established businesses or salaried individuals due to lower perceived risk.
- **Case Studies:** Successful youth-led startups demonstrated that early mentorship, financial literacy, and partnership with responsive banking institutions significantly increase the likelihood of business survival and growth.

These findings underscore a significant gap between the entrepreneurial aspirations of Bihar's youth and the accessibility of financial and institutional support mechanisms.

### Policy Recommendations

To enhance the effectiveness of youth entrepreneurship as a driver of economic development in Bihar, the following policy recommendations are proposed:

- **Strengthen Financial Inclusion:** Tailor bank products for young entrepreneurs, including collateral-free microloans, flexible repayment structures, and simplified credit assessment processes.
- **Promote Financial Literacy:** Launch statewide financial education campaigns targeting young individuals, with a focus on credit management, investment planning, and loan application procedures.
- **Institutional Collaboration:** Foster stronger coordination between commercial banks, state government departments, academic institutions, and business incubators to build a supportive entrepreneurial ecosystem.
- **Revise Risk Frameworks:** Encourage banks to adopt alternative credit evaluation models that account for entrepreneurial potential and innovation, especially in first-time borrowers.
- **Enhance Mentorship and Incubation:** Establish district-level youth innovation hubs offering incubation, mentoring, legal advisory, and business development services in collaboration with banks.
- **Monitor and Evaluate:** Create a robust monitoring system to track the impact of bank-financed youth enterprises and use data to guide further policy refinement.

### Conclusion

Bihar stands at a critical juncture where the convergence of its youthful demographic and growing economic aspirations could pave the way for sustained development. However, this potential remains underutilized due to structural bottlenecks and inadequate institutional support. This study underscores the pivotal role that commercial banks can play in enabling youth-led entrepreneurship as a viable and scalable strategy for regional economic development. By addressing financial access gaps, strengthening institutional linkages, and fostering a culture of innovation, Bihar can unlock the transformative power of its youth and contribute meaningfully to the vision of *Vikshit Bharat* (Developed India). A recalibrated policy framework that places youth entrepreneurship at the core of economic planning is no longer optional—it is imperative.

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#### **Annexure**

#### **Annexure I: Sample Survey Questionnaire for Youth Entrepreneurs in Bihar**

##### **Section A: Demographic Profile**

1. Name (Optional): \_\_\_\_\_
2. Age: ☐ Below 20 ☐ 20–25 ☐ 26–30 ☐ Above 30
3. Gender: ☐ Male ☐ Female ☐ Other
4. District: \_\_\_\_\_
5. Educational Qualification:  
☐ Below 10th ☐ 10th–12th ☐ Graduate ☐ Postgraduate ☐ Other: \_\_\_\_\_
6. Current Occupation:  
☐ Student ☐ Entrepreneur ☐ Employed ☐ Unemployed

##### **Section B: Entrepreneurial Activity**

1. Are you currently running a business? ☐ Yes ☐ No
2. Type of Business: \_\_\_\_\_
3. Year of Establishment: \_\_\_\_\_
4. Number of Employees: \_\_\_\_\_
5. What motivated you to start the business? (Select all that apply)  
☐ Lack of jobs ☐ Passion/interest ☐ Family business ☐ Government scheme ☐ Other: \_\_\_\_\_

##### **Section C: Financial Access & Support**

- Have you ever applied for a bank loan for your business? ☐ Yes ☐ No
  - If yes, was your application approved? ☐ Yes ☐ No
  - Which bank/institution did you apply to? \_\_\_\_\_
  - What challenges did you face during the application process? (Tick all that apply)  
☐ Complex paperwork ☐ No collateral ☐ Lack of information  
☐ Low credit score ☐ High interest rates
  - Are you aware of government schemes for youth entrepreneurs (e.g., MUDRA, PMEGP)?  
☐ Yes ☐ No
  - Did you receive any mentorship or business training? ☐ Yes ☐ No
- If yes, from where? \_\_\_\_\_

##### **Annexure II: Interview Guide for Bank Officials**

- How does your institution define and approach youth entrepreneurship in Bihar?
- What financial products or schemes are specifically tailored for young entrepreneurs?
- What are the common barriers that prevent banks from lending to youth-led startups?
- How do you assess creditworthiness in the absence of traditional collateral?
- Are there collaborations with government or non-banking institutions for youth-focused programs?
- What policy or regulatory changes would make bank-financed entrepreneurship more viable in Bihar?.

