

GOVERNMENT ARTS AND SCIENCE

COLLEGE

NAGERCOIL

DEPARTMENT OF ECONOMICS

II B.A

ENTREPRENEURIAL DEVELOPMENT – I

SAEC 31

Dr. D. AMUTHA JULIE GRACE

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ENTREPRENEURIAL DEVELOPMENT - I

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Preamble : To enable the students of understand the concepts, foundations and methods of entrepreneurships. To develop the skill in establishing and managing business venture.

Unit – I Entrepreneurship

Entrepreneurship – Evolution of the Concept of entrepreneur – Definitions of Entrepreneurship and Entrepreneur, Types of entrepreneurship, Functions of Entrepreneur, Characteristics of Entrepreneur. (10L)

Unit – II Entrepreneurial growth

Entrepreneurial growth – Factors affecting entrepreneurial growth – economic, non – economic and governmental – Barriers to Entrepreneurship, Environmental Factors affecting Entrepreneurship. (10L)

Unit – III Theories of Entrepreneurs

Kao's Conceptual model of Entrepreneurs – David McClelland's Achievement Motivation Theory – Role of Entrepreneur in Indian Economy With reference to Self employment development. (10L)

Unit – IV Women Entrepreneurship

Women Entrepreneurship – Conceptual model of Entrepreneurs – David McClelland's Achievement Motivation Theory –Role of Entrepreneur in Indian Economy With reference to Self employment development. (08L)

Unit – V Entrepreneurial Development

Qualities of a successful Entrepreneur – Distinction between an Entrepreneurship and a Manager – Nature and types of promoters – steps to start a small scale Industry – Incentives and subsidies available. (07L)

(Total: 45L)

Text Books:

1. Entrepreneurial Development - Dr.N.Srinivasan
2. Entrepreneurial Development - Dr.Radha

Reference Books:

1. Entrepreneurial Development - S.S.Kanaka
2. Entrepreneurial Development - Garden, Nararajan
3. Entrepreneurial Development - C.B.Gupta, N.P.Srinivasan

Entrepreneur & Entrepreneurship

Introduction

[An entrepreneur is a person who brings in overall changes through innovation for the maximum social good. The entrepreneur is an important input of economic development. He is a catalyst of development. An entrepreneur is an integrated man with outstanding leadership qualities. He works for the betterment of the society. He is a visionary with desire to excel by entering into innovative research and development activities.

By virtue of his potential status he gets a vital treatment among the economists, sociologists, social psychologists and political scientists. He is recognised by economists as a forerunner of economic growth and an essential element in generating investment opportunities. The psychologists look upon him as an "entrepreneurial man", his motivations and aspirations as conducive to development. The sociologists consider him as a sensitive energiser in the modernisation of societies. Political scientists regard him as a leader of the system.

Meaning of Enterprise: An enterprise consists of people working together primarily for the purpose of making, selling and distributing a product or service. Enterprise consumes valuable resources like raw materials, power and labour to produce the output. Enterprise is a continuing entity. Enterprise is not an adhoc effort to produce a single product or output, but rather a recurring and continuing effort to produce a stream of products.

Definition of an Entrepreneur

[The word "entrepreneur" is derived from French word "enterprendre" which means "to undertake". The entrepreneur is often associated with a person who starts his own, new and small business. The term entrepreneur is defined as one who innovates, raises money, assembles inputs, chooses managers and sets the organisation]going with his ability to identify them.

The New Encyclopaedia Britannica considers an entrepreneur as "an individual who bears the risk of operating a business in the face of uncertainty about the future conditions".

[Joseph A. Schumpeter recognised an entrepreneur as a person who introduces innovative changes.] He treated entrepreneur as an integral part of economic growth. The fundamental source of equilibrium was the entrepreneur.

[E.E. Hagen, defines an entrepreneur as an economic man who tries to maximise his profits by innovation.]

Frank Young describes entrepreneur as a change agent.

Noah Webster thinks that an entrepreneur is one who assumes the responsibility of the risk and management of business.

Peter F. Drucker defines an entrepreneur as one who always searches for change, respond to it, and exploits it as an opportunity. Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.

An entrepreneur in a developing economy like India is one who starts an industry, undertakes risk, bears uncertainties and also performs the managerial functions of decision making and coordination. He uses the new technology in the production process.

The commonest definition for an entrepreneur is "a person who organises, manages and takes the risk of running a business or enterprise".

[An entrepreneur has been variously defined by experts as:-

- ★ a person who innovates.
- ★ One who allocates and manages the factors of production and bears risk.
- ★ One who has the ability to perceive latest economic opportunities and to devise their exploitation.
- ★ An individual who conceives the idea of business, designs the organisation of the firms, accumulates capital, recruit labour, establishes

relations with suppliers, customers and the government, converts the conception into a functional organisation.

★ The supplier of resources, supervisor and coordinator and ultimate decision maker.

In a nut shell, the concept of entrepreneur is closely associated with three elements - Risk bearing, Organising and Innovating. Thus an entrepreneur can be defined as a person who tries to create something new, organises production, undertakes risks and handles economic uncertainty involved in enterprise.

Entrepreneurship അഭിനവനവനം (പ്രവർത്തനം)

Entrepreneurship is an attitude of mind which calls for calculated risks and confidence to achieve a pre-determined business objective. It is the risk taking ability of the individual combined with correct decision - making. [Entrepreneurship is an exercise or process undertaken by an entrepreneur to increase his business enterprise. It involves innovation and creativity.]

Definition

The concept of entrepreneurship is highly elusive and it is defined differently by different authors. Some mean entrepreneurship as "risk bearing"; others view it as "innovating" and yet others consider it "thrill seeking". Some of the important definitions are narrated below for the better understanding of the meaning of entrepreneurship.

[As per Schumpeter "Entrepreneurship is based on purposeful and systematic innovation.] It included not only the independent business man but also company directors and managers, who actually carry out innovative functions".

According to A.H. Cole "Entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or aggrandise profit by production or distribution of economic goods and services".

At a conference on Entrepreneurship held in United States the term Entrepreneurship was defined as "an attempt to create value through

recognition of business opportunity) the management of risk taking appropriate to the opportunity and through the communicative and management skills to mobilise human, financial and material resources necessary to bring a project to fruition".

According to *Diamond*, entrepreneurship is equivalent to 'enterprise' which involves the willingness to assume risks in undertaking an economic activity particularly a new one. It may involve or may not involve an innovation but it always involves risk taking and decision-making, although neither risk nor decision making may be of great significance.

In general, entrepreneurship refers to the functions performed by an entrepreneur in establishing an enterprise. Entrepreneurship is the act of being an entrepreneur. In a nut shell, the process of giving birth to a new enterprise is called entrepreneurship. The basic elements involved in entrepreneurship are innovation and risk bearing.

One of the qualities of entrepreneurship is the ability to find out an investment opportunity and to organise an enterprise. Entrepreneurship is a composite skill of many qualities such as imagination, readiness to take risks, ability to bring together and put to use all the factors of production and ability to mobilise scientific and technological advances.

Entrepreneurship involves the fusion of capital, technology and human talent. It is a dynamic and risky process. Entrepreneurship is both an art as well as a science.

Relationship between Entrepreneur and Entrepreneurship

Entrepreneur	Entrepreneurship
1. Person	1. Process
2. Innovator	2. Innovation
3. Risk - bearer	3. Risk - bearing
4. Visualiser	4. Vision
5. Technician	5. Technology
6. Initiator	6. Initiative

Entrepreneur	Entrepreneurship
7. Planner	7. Planning
8. Organiser	8. Organisation
9. Leader	9. Leadership
10. Decision Maker	10. Decision making
11. Programmer	11. Action
12. Administrator	12. Administration
13. Communicator	13. Communication

Entrepreneurship is concerned with the performance and coordination of entrepreneurial functions. Entrepreneur precedes entrepreneurship.

Peter F. Drucker's View

Drucker stresses that systematic innovation is necessary for entrepreneurship. Systematic innovation means the purposeful and organised search for changes and also systematic analysis of the opportunities that would give more scope for economic and social innovation. According to Drucker systematic innovation means monitoring the following opportunities.

1. The unexpected success and failure

The unexpected success of the entrepreneur opens up the new ways for further successful innovation. Failures are not uncommon in the business. According to Drucker, if there is any failure in the business, the entrepreneur has to identify the new opportunities. He should investigate further and find out the possibilities of developing new ideas.

2. Incongruity

Incongruity refers to the difference between what is and what ought to be. Incongruity is a symptom of an opportunity to innovate. The dissonance leads the entrepreneur to think afresh and take up new opportunities.

3. Process need

"Necessity is the mother of invention". The entrepreneur has to make some changes in the existing process to suit the latest demand of the consumers. The weaknesses in the existing product should be eliminated through a redesigned process.

4. Industry and market structure

The change in industry and market structure brings more exceptional opportunities. Rapid growth of industries in an economy would generate more options to many people to start industry.

5. Demographics

Changes in population, its size, age structure, composition, employment, educational status and income would have major impact on the consumption pattern of the society. Changes in demographics would bring more productive and dependable innovative opportunities.

6. Change in perception

Changes in perception create substantial innovative opportunity. When a change in perception takes place, the facts do not change but their meaning changes. Timing is the essence of exploiting changes in perception.

7. New Knowledge

Knowledge - based innovation is the superior source of entrepreneurship. However, it is temperamental, capricious and hard to manage. The knowledge based innovation has the long time span between the emergence of new knowledge and its application to technology and then technology turns into products or services.

Role of Entrepreneurship in Economic Development and its importance

Economic development means a process of upward change whereby the real per capita income of a country increases over a long period of time. It is an outcome of purposeful human activity. The views on the significance of entrepreneurship for economic development and

its importance as an independent influence to that of other factors, differs between the classical economists and modern economists.

Classical Economists' views

According to *Adam Smith*, the foremost classical economist, entrepreneurship has no significance in the economic development. He appreciated the rate of capital formation as an important determinant of economic development. Therefore, the problem of economic development was largely the ability of the people to save more and invest more in any country. The ability to save is governed by improvement in productivity to the increase in the dexterity of every worker due to division of labour. Smith considered every person as the best judge of his own interest and each individual is led by an 'invisible hand' in pursuing his interest.

David Ricardo in his theory of economic development, identified only three factors of production, namely machinery, capital and labour, among whom the entire produce is distributed as rent, profit and wages respectively. Ricardo appreciated the virtues of profit in capital accumulation. He opined that profit leads to saving of wealth which ultimately goes to capital formation.

Thus, in the eyes of classical economists, economic development seems to be automatic and self-regulated, and there is no room for entrepreneurship. Their attitude is very cold towards the role of entrepreneurship in economic development.

Modern Economists' views

Unlike the classical economists, the new age economists and social scientists consider entrepreneurs as change agents and centre of economic development.

Schumpeter visualised the entrepreneur as the key figure in economic development because of his role in introducing innovations. Schumpeter says that economic growth depends on the rate of applied technical progress or innovation. Thus the entrepreneur is the agent of change in society.

Parson and Smelser described entrepreneurship as one of the two necessary conditions for economic development, the other being the increased output of capital.

Harbison includes entrepreneurs among the prime movers of innovations, and Sayigh simply describes entrepreneurship as a necessary dynamic force.

Mc Clelland has introduced a new dimension to the importance of entrepreneurship in economic development. According to him, the development of entrepreneurship depends on human motivation to achieve or need for achievement. Mc. Clelland's hypothesis is that a society with a generally high level of achievement will produce more energetic entrepreneurs, who in turn would accelerate the process of economic development. Hence, in developed countries where the motivation to achieve is very high, there is a steady stream of entrepreneurs. Likewise, in the underdeveloped countries where the motivation is either lacking or low, causing a short supply of entrepreneurs.

The economic history of the developed countries tends to support the fact that the *economy is an effect for which entrepreneurship is the cause*. The vital role played by the entrepreneurs in the developed countries has made the people of under-developed countries realise the significance of entrepreneurship for economic development. To achieve the goal of economic development of a country, it is necessary to increase entrepreneurship both qualitatively and quantitatively. It is so because, it is only the active and enthusiastic entrepreneurs who fully explore the potentialities of the country's available resources viz. labour, technology and capital. Further, economic development does not occur spontaneously as a natural consequence when appropriate economic conditions prevail. A catalyst or agent is needed, and this requires an entrepreneurial ability. The entrepreneur searches for change, sees need and then brings together manpower, material and capital required to respond the opportunity what he sees.

Entrepreneurship in under-developed countries

The role of entrepreneurship in economic development varies from economy to economy depending upon its material resources,

industrial climate and political system. The contribution of entrepreneurs will be more in favourable opportunity conditions than in the economies with relatively less favourable opportunity conditions. In under-developed countries, the opportunities are less conducive to the emergence, especially of innovative entrepreneurs, due to the paucity of funds, lack of skilled labour and non-existence of a minimum social and economic overheads. The entrepreneurs in such countries may not be 'innovators' but imitators as imitation requires lesser funds than innovation. They launch their enterprises on a small scale imitating the innovations introduced by the innovative entrepreneurs of the developed countries. It is felt that such imitation of innovations on a massive scale can bring about rapid economic development in under-developed countries. Further, small scale industries also help to decentralise the industrial structure in order to prevent the regional imbalances in levels of economic development. However, there are thinkers who believe that 'Schumpeterian Entrepreneurs' are needed in underdeveloped countries for rapid economic development. Innovative entrepreneurs can alter the production function of countries and bring about rapid economic development. Further, the establishment of Entrepreneurship Development Institutes and implementation of various Entrepreneurship Development Programmes etc by Indian Government, are the good evidences to the strong realisation about the active role played by the entrepreneurs in economic development.

The important roles that entrepreneurship plays in the economic development of a country are enumerated below.

1. Entrepreneurship promotes capital formation by mobilising the idle savings of the public.
2. It provides large - scale employment to the society.
3. It promotes balanced regional development.
4. It prevents the concentration of economic power in few hands.
5. It stimulates the equitable redistribution of wealth, income and political power in the interest of the country.
6. It encourages effective resource mobilisation of unutilised capital and skill.

7. It also induces backward and forward linkages which stimulate the process of economic development in the country.

8. It introduces new commodities in the market, new methods in organisation and new sources of raw materials for the production.

9. It produces a wide variety of consumer and industrial goods.

10. Last but not the least, it also promotes country's export trade.

Thus it is obvious that entrepreneurship serves as a catalyst of economic development. The overall role of entrepreneurship in economic development of a country is put as "an economy is the effect for which entrepreneurship is the cause".

Importance

1. Entrepreneurs play a strategic role in commercializing new inventions and products.

2. They raise productivity through technical and other form of innovation.

3. They make markets more competitive, through creation of new markets.

4. Micro-entrepreneurs operating in the informal sector circumvent established Government authority when Governments and their programmes inhibit economic development.

5. By taking risk, the entrepreneurs cause Industrial Development in the country.

Functions of An Entrepreneur any 2

Marshall viewed organisation and management of the enterprise as the important functions of an entrepreneur. Economists like J.B. Say, Cantillon and others stressed risk-taking as the specific functions of an entrepreneur. Schumpeter conceived that the primary function of an entrepreneur was to innovate.

(An entrepreneur performs all the functions necessary right from the genesis of an idea up to the establishment of an enterprise. An

entrepreneur is the Maestro of the business orchestra. The major functions of an entrepreneur are listed below:

1. Conception of idea and scanning of the best suitable idea.
2. Determination of Business objectives.
3. Product analysis and development
4. Determination of form of organisation and hierarchy of management.
5. Completion of promotional formalities.
6. Raising adequate financial resources.
7. Procurement of machines and materials.
8. Recruitment of Men.
9. Development of Market.
10. Undertaking the business operations.
11. Maintenance of good relation with Public authorities.]

Modern writers have outlined the following three broad functions of an entrepreneur.

A. Innovation B. Risk-taking C. Organisation

A. Innovation (Innovation sources any five)

Innovation means "doing new things or the doing things that are already being done in a new way".

Innovations may occur in the following forms.

1. Introduction of a new product in the Market.
2. Establishment of a new production technology which is not yet tested.
3. Opening of a new market into which the specific product has not previously entered.
4. Discovery of a new source of supply of raw material (or) a new raw material.
5. Creation of monopoly position or the breaking up of a monopoly position.
6. Procurement of capital from new source or in new form.
7. Procurement of labour from new source or new type of labour.

An entrepreneur foresees the potentially profitable opportunity and tries to exploit it. Innovation involves problem solving and the

entrepreneur is a problem solver. The entrepreneur needs to apply invention after invention on a continuous basis to meet out the changing taste and preferences of consumers.

B. Risk-Taking (or) Risk-bearing (அபாயத்தை ஏற்றுக்கொள்ளும் திறன்)

Risk-bearing means provisions for capital in order to enable the entrepreneur to establish and run the enterprise. An important function of an entrepreneur is to reduce uncertainty in his plan of investment and expansion of the enterprise. *Uncertainty* is defined as a risk which cannot be insured against and is incalculable. According to *Knight*, "the entrepreneur is the economic functionary who undertakes such responsibility of uncertainty which by its very nature cannot be insured nor capitalised nor salaried too". *Risk* refers to a situation where the probability distribution of a particular outcome could be objectively known in advance. *Uncertainty* refers to a situation where such probability distribution cannot be objectively known, but only be guessed.

A Business enterprise may earn profits or incur losses due to various factors like increasing competition, changes in customer preferences, shortage of raw material and the like. An entrepreneur needs to be a risk taker not risk avoider.

"Fall seven times, Stand up eight". The Japanese proverb is applicable to an entrepreneur. The risk bearing ability of an entrepreneur enables him even if he fails in one time or in one venture to persist on and on which ultimately helps him succeed.

C. Organisation (அமைப்பு)

An entrepreneur is one who combines land, labour and capital and thus produces a product or renders service. By selling the product or service in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his profit. Thus an entrepreneur coordinates, organises and supervises land, labour and capital of a business enterprise.

Qualities of an entrepreneur (Features, characteristics)

(Entrepreneur is a human being who has his dignity, self-respect, values, sentiments, aspirations, and dreams apart from economic

status. If we analyse the business history of India and the persons who have emerged as successful entrepreneurs namely Tata, Birla, Kirloskar, Ambani and T.V. Sundaram we can find out that there are some common characteristics which attribute to their success. Some of the principal qualities of entrepreneurs are discussed below.

1. Hard Work (நடமாற்றம்)

Most of the successful entrepreneurs work hard endlessly with their tedious, sweat-filled hours and perseverance, revive their business even from the verge of failure.

2. Desire for high achievement (உயர் சாதனை)

The entrepreneurs have strong desire to achieve high goals in business. This high achievement motive helps them to overcome the obstacles, suppress anxieties, repair misfortunes and devise adventures to run a successful business.

3. Highly Optimistic (நேர்மனம்)

The successful entrepreneurs are not disturbed by the present problems and they optimistically look forward for the future situations favourable to business.

4. Independence (சுயநம்பம்)

The successful entrepreneurs like to be independent and they do not like the guidance of others in the matters of their business.

5. Foresight (முன்புணர்வு)

The entrepreneurs visualise and predict the likely changes to take place in the market, consumer attitude, technological developments, etc. and take timely actions accordingly.

6. Good organiser (நல்ல அமைப்பாளர்)

The various resources required for production are separate from each other. The entrepreneur with his ability brings together all the resources required for setting up an enterprise and then produce goods.

7. Innovative

In order to satisfy the changing tastes of the consumers from time to time, the entrepreneurs initiate research and innovative activities to produce goods in accordance with market demand.

Professor Tandon has described the following four qualities of a true entrepreneur.

1. Capacity to assume risk and possessing self confidence

He should be willing to assume a relatively large degree of risk because he has to guarantee wages to his workers, interest to his creditors and rent to his land lord. Highest order of ability is required to bear heavy risks and thereby earn high gains.

2. Technical Knowledge and Willingness to change

Technical knowledge implies the ability to devise and use new and better ways of producing and marketing goods and services. An entrepreneur's success depends largely upon his ability to adopt new technology. He should have a keen desire to initiate and accept changes.

3. Ability to Marshal resources

An entrepreneur should possess the ability to mobilise necessary resources in the best possible manner for achieving the business objectives.

4. Ability of organisation and Administration

He must be able to select, train and develop persons who can properly manage and control the affairs of a business concern. An entrepreneur must be able to inspire loyalty and hard work to raise productivity and efficiency.

Various research studies reveal the following qualities of a successful entrepreneur.

Vision and foresight	Will Power
Innovation	Creativity
Organising	Tactfulness
Motivation	Intelligence
Pride	Knowledge

Risk taking	Commitment
Self Confidence	Integrity
Dynamism	Reliability
Initiative	Effective Communication
For change	Public Relations
Flexibility	Dreamer
Adaptability	Instinct
Determination	

Types of Entrepreneurs *(on classification (on) kinds (on) forms?)*

In the initial stage of economic development, entrepreneurs tend to have less initiative and drive. As economic development proceeds, they become more innovating and enthusiastic.

Clarence Danhof has classified entrepreneurs into following four types.

1. Innovating Entrepreneurs

Innovating entrepreneurship is characterised by aggressive assemblage of information and the analysis of results derived from sound combination of factors. An innovative entrepreneur sees the opportunity for introducing a new technology in production process, or a new commodity or a new market and reorganises the enterprise. Innovative entrepreneurial ability is very commonly found in developed countries. Such entrepreneurs can work only when a certain level of development is already achieved and people look forward to change and improvement.

2. Adoptive or Imitating Entrepreneurs

Adoptive entrepreneurs are ready to adopt successful innovations created by innovative entrepreneurs. They just imitate the technology and techniques innovated by others. Imitative entrepreneurs are best suited for under developed countries because they contribute significantly to the development of such economies.

Imitative entrepreneurs help to transform the system with the available limited sources. These entrepreneurs face lesser risks and uncertainty than innovative entrepreneurs. Imitative entrepreneurs are also revolutionary and important. By Western standards, an imitative

entrepreneur may be a pedestrian figure, an adopter and imitator rather than a true innovator. However in a poor and undeveloped country, he is a potent change producing figure.

3. Fabian Entrepreneurs

Fabian entrepreneurs are very cautious and skeptical while experimenting any change in their enterprise. They have neither the will to introduce new changes nor the desire to adopt new methods innovated by others. Their dealings are determined by custom, religions tradition and past practices. They are shy and lazy. They imitate only when it becomes perfectly clear that failure to adopt the changes would result in a loss to their enterprise.

4. Drone Entrepreneurs

They are characterised by a refusal to adopt and use opportunity to make changes in production technology. Such entrepreneurs may even suffer losses but they do not make changes in their existing production methods. They are laggards, as they continue to operate in traditional way and resist changes.

Some more categories of entrepreneurs are given below :

1. Individual and Institutional Entrepreneurs

Individual entrepreneurs are dominant in the small scale sector. A single individual establishes, operates and controls the organisation is known as individual entrepreneur. He has the advantages of flexibility, quick decision making and state patronage.

A group of entrepreneurs who join together to establish a business through a firm or corporate body is known as institutional entrepreneurs.

2. Entrepreneurs by inheritance

At times people become entrepreneurs when they inherit the family business. In our country there are a large number of family controlled business organisations. For example Tata, Birla, TVS Group of companies, etc.

3. Technologist Entrepreneurs

Technically qualified persons have entered the field of business to commercially exploit their inventions and discoveries. Their greatest strength is technical expertise. Their success depends on how fast they start production and on the consumers' acceptance of their products.

Classification Based on Stages of Development

Entrepreneurs may also be classified as the first generation entrepreneur, modern entrepreneur and classical entrepreneur.

1) First Generation Entrepreneur

A first generation entrepreneur is one who starts an industrial unit by innovative skill. He combines different technologies to produce a marketable product.

2) Modern Entrepreneur

He undertakes those ventures which go well along with the changing demand in the market. He undertakes the ventures which are suitable to the current market requirements.

3. Classical entrepreneur

He is one who is concerned with the customers and marketing needs through the development of a self supporting venture. Classical entrepreneur aims to maximise his economic returns at a level consistent with the survival of the firm with or without an element of growth.

Classification based on Motivation

1) Pure entrepreneur

An individual who is motivated by psychological and economic rewards is known as pure entrepreneur. He undertakes a venture for his personal satisfaction, ego and status.

2) Induced Entrepreneur

These entrepreneurs are induced to take up an enterprise due to the assistance, incentives, concessions and other infrastructure facilities provided by the Government to start a venture. A person with a sound project is provided package assistance to his project.

3) Motivated Entrepreneur

New entrepreneurs are motivated by the desire for self fulfillment.

4) Spontaneous Entrepreneur

These entrepreneurs have initiative, boldness, strong conviction and Confidence. Such natural talents motivate them to start a business.

Promoter

Promoter is a person who does the necessary preliminary work incidental to the formation of an enterprise. The first person who controls a company's affairs is its promoter.

Distinction between an Entrepreneur and a Promoter

Entrepreneur	Promoter
1. He finds new opportunities and explores them.	1. He promotes a company.
2. He becomes a promoter, when he develops a project.	2. He can also become entrepreneur, if he takes risk and innovates.
3. The primary function of entrepreneur is to "take risk".	3. His primary function is to "finance and promote project".
4. Entrepreneur is doing all the works of the enterprise.	4. He, among other things, sometimes finances and establishes the project.
5. He should possess organising and leadership qualities.	5. He keeps business with all necessities like finance, site etc.

Distinction between an Entrepreneur and a Manager

The distinction between an entrepreneur and a manager is presented below: *any 7*

	Entrepreneur	Manager
1 Motive	To start a <u>venture</u> by setting up an enterprise.	To render his services in an enterprise already set up by someone else.
2 Status	An entrepreneur is the <u>owner</u> of the enterprise.	A Manager is the <u>servant</u> in the enterprise owned by the entrepreneur.
3 Risk-Bearing	Being the owner of an enterprise, he undertakes all risks and uncertainty involved in running the enterprise.	As a servant, he does not bear any risk. He has to be careful and diligent in his duties.
4 Reward <i>पुर्स्कार</i>	Profit which is the reward for an entrepreneur is highly uncertain.	Salary is the reward for the services rendered by a manager which is certain and fixed.
5 Innovation	To meet the changing demands of customers an entrepreneur acts as an innovator.	A Manager simply executes the plans prepared by an entrepreneur.
6 Qualification	An entrepreneur needs to possess qualities and qualifications like high achievement motive, creative thinking, innovative spirit, foresight, risk-bearing ability etc.	A Manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

	Entrepreneur	Manager
7	Action. He may surprise the employees by doing their work. He gets his hands dirty.	A Manager delegates the work to his subordinates. Supervising and report writing are his major duties.
8	Attention His attentions are primarily on technology and market.	His attentions are primarily on events inside the corporation.
9	Failure and mistakes He deals with mistakes and failures as learning experiences.	He strives to avoid mistakes and surprises. Postpones recognising failure.
10	Decision Follows private vision. Decisive and action oriented.	He agrees with the decision of the entrepreneur.

It is evident from the above points that an entrepreneur differs from a manager. At times an entrepreneur can be a manager also, but a manager cannot be an entrepreneur.

Intrapreneur

Intrapreneurs are a new breed of entrepreneurs who emerge from an existing enterprise. The top executives of big organisations conceive new ideas and convert them into products through research and development activities within the frame work of organisations. They are termed as intrapreneurs.

This concept is very popular in developed countries. Many of the intrapreneurs may leave their jobs in big organisation and start their own enterprises. Such intrapreneurs may become very successful in their ventures and even cause a threat to the organisations they left.

Intrapreneurs breed to the innovative entrepreneurs who inaugurate new products.

An intrapreneur can be distinguished from an entrepreneur in the following basis.

1. Dependency

An intrapreneur is dependent on the owner of the organisation, whereas an entrepreneur is independent in his operation.

2. Raising of funds

An intrapreneur does not raise funds but an entrepreneur raises funds required for the enterprise.

3. Risk

An intrapreneur does not fully bear the risk involved in the enterprise. But entrepreneur bears all the risks and uncertainties involved in the business.

4. Operation

An intrapreneur operates from within the organisation itself whereas an entrepreneur operates from outside.

- ★ National Institute of Entrepreneurship and Small Business Development (NIESBUD)
- ★ National Institute of Small Industries Extension Training (NISJET)
- ★ Technical Consultancy Organisations (TCO's)
- ★ National Alliance of Young Entrepreneurs (NAYE)
- ★ Centres for Entrepreneurship Development (CED)

These institutions provide a wide range of service, support and facilities to promote and foster the growth and development of entrepreneurship in India.

Whether entrepreneurs are born or made?

Entrepreneurs are born. In some of the business families, the members inherit the family run business. By virtue of birth in these business and industrial families some of the members automatically become industrialists and inherit the business or industrial occupation as way of their life. In olden days these 'inherited industrialists formed large part of the business world in India.

Entrepreneurs are made. At present, there is a wider encouragement given by the central and state governments to spread industrial development in all regions, by involving the real entrepreneurial talents available in the country irrespective of caste, creed and religion. The implementation of various entrepreneurship training programmes and the financial and promotional support provided by the government encourages the people from non-business families also to involve in entrepreneurship. Besides, the environment is also changing due to the willing entry of many new young educated people in the sphere of industrial and entrepreneurial development. Entrepreneurship development training has uprooted the belief that "entrepreneurs are born and entrepreneurship is hereditary". First generation entrepreneurs are made. Hence it can be held that "entrepreneurs are both born as well as made".

Women Entrepreneurs

(In earlier days women were confined to the four walls of houses and led a protected life. In the present modern society they have come out of the four walls and take part in all sorts of activities competing successfully with men. This has become possible because of the increase in women's education, social and occupational mobility, legal safeguards, industrialization and urbanization. It has been proved globally that women have been performing exceedingly well in various fields such as education, administration, politics, sports, medicine, aeronautics, trade and industries and social work. The very fact that the world's largest democracy (India) was headed by a woman Smt. Indira Gandhi is a big complement to the capacity, caliber and character of women.

Concept of Women Entrepreneurs

(A woman or a group of women who initiate, organize and run a business enterprise is defined as women entrepreneur(s). The Government of India has defined woman entrepreneur as "an enterprise owned and controlled by a woman having a minimum financial interest of 51% of the capital and giving atleast 51% of the employment generated in the enterprise to women".)

Women entrepreneurs are those women who conceive the idea of a business enterprise, initiate it, organize and combine the factors of production, operate the enterprise, undertake risks and manage the economic uncertainty involved in running a business enterprise.

Functions and Role of Women Entrepreneurs

Similar to men entrepreneurs women entrepreneurs have to perform all the functions involved in setting up an enterprise such as idea generation and scanning, determination of objectives, project preparation, product analysis, determination of forms of business organisation, combination of factors of production etc.

(Eredrick Harbinson has listed out the following five functions of a woman entrepreneur.

1. Exploration of the prospects of starting a new business enterprise.
2. Undertaking of risks and the handling of economic uncertainties involved in business.
3. Introduction of innovations or imitation of innovations.
4. Coordination, administration and control.
5. Supervision and Leadership.

The major entrepreneurial functions can be broadly classified under three categories. They are, 1. Risk Bearing, 2. Organisation, 3. Innovations. (page 11 to 13)

All these functions have already been discussed in the previous chapter.

Profile of Women Entrepreneurs

A Woman entrepreneur may be described as a woman of commitment, who is independently employed and has a close relationship with her father. After obtaining a graduate degree, she gets married. She enters into the field of entrepreneurial venture at the age of late 30's or early 40's when her children are somewhat self-sufficient. She is usually from a middle class family and her biggest problem is lack of sufficient business training especially in the financial area. However in the recent years, with increase in literacy level the women have gained confidence to do all the work which was hitherto considered as the prerogative of men. They have shown excellent results and proved that no field is unapproachable to trained and determined modern women.

Profile of a woman entrepreneur and her business

1. First born child of middle class parents.
2. Father and / or mother in independent business
3. College educated
4. Married
5. Entry into the significant entrepreneurial venture in late 30's
6. Previous experience in new venture.

7. Desires independence
8. Motivated by desire for independence and job satisfaction.
9. Self confident
10. Moderate risk taker.
11. High tolerance for ambiguity
12. High energy level
13. Small scale business
14. Initial problems in the venture
 - a. Lack of business training
 - b. Difficulty in obtaining seed capital and bank credit.
 - c. Non-accessibility to information
 - d. Difficulties in marketing
 - e. Personnel management
15. Biggest problems in current operations
 - a. Lack of experience in financial planning
 - b. Weak collateral position
 - c. Cash flow management
 - d. Taxation

Qualities of a woman entrepreneur

Some of the outstanding qualities of a woman entrepreneur are given below.

1. Accepts challenges	11. Patient
2. Adventurous	12. Experienced
3. Ambitious	13. Industrious
4. Conscientious	14. Intelligent
5. Full of drive	15. Motivated
6. Educated	16. Perseverance
7. Enthusiastic	17. Skilful
8. Determined to excel	18. Studious
9. Hardworking	19. Optimistic
10. Keen to learn and imbibe new ideas	

Psycho-Social Barriers व्यक्तिगत बाधाएँ

Though some women entrepreneurs are performing exceedingly well in various fields of activities, the fear of success haunts women in general. Growth of women entrepreneurship is impeded by various Psycho-Social factors. Some of them are given below.

1. Poor self image of women
2. Inadequate motivation
3. Discriminating treatment
4. Faulty Socialisation
5. Role conflict
6. Cultural values
7. Lack of courage and self-confidence
8. Inadequate encouragement
9. Lack of social acceptance
10. Unjust social, economic and cultural system.
11. Lack of freedom of expression
12. Afraid of failures and criticism
13. Susceptible to negative attitudes
14. Non-persistent attitude
15. Low dignity of labour
16. Lacking in leadership qualities such as planning, organising, controlling, coordinating and directing.

Growth and Development of Women Entrepreneurship - Recent Trends

The US Bureau of census reported in 1977 that there were only, 7,02,000 business that were owned by women. This was only 7.1% of the total business firms in US. However, the number is increasing at a rapid rate. In 1984, according to the Internal Revenue Service, the number of female sole proprietorship was 3.1 million or 22% of all sole proprietorships. The highest number of women are found in laundries, dry cleaning, hair dressing, private nurseries, hotels etc. In US, the Small Business Administration (SBA), a Government Controlled agency provides financial assistance and offers courses in counselling to improve managerial competence among women entrepreneurs.

In India, women are regarded as the "better half of the society". In reality our society is still male dominating one. Due to our traditional socio-cultural conventions and taboos, the development of women entrepreneurship is very low in our country. In earlier days women were engaged in the unorganised sectors like agriculture, handicrafts, hand looms and cottage based industries. The entry of Indian Woman into entrepreneurship is a recent phenomenon.

In the beginning woman entrepreneurship was identified as an extension of kitchen activities and denoted by 3Ps namely pickles, powder and pappad. The increase in literacy level and awareness about trade and industries motivated the woman to shift from 3Ps to 3Es namely Engineering, Electronics and Energy.

Indian woman gets into the business due to two reasons namely "Pull factors" and "Push factors". Pull factors encourage women to have an independent occupation. These factors influence the women entrepreneurs to choose a profession as a challenge and as an adventure with an urge to do something new. Push factors are those which compel women to take up business enterprises to get over financial difficulties and responsibility is thrust on them due to unfortunate family circumstances.

In the Seventh Five Year Plan, a special chapter on "Integration of Women in development" was included. The chapter suggested the following:

- a. To treat women as specific target groups in all development programmes.
- b. To devise and diversify vocational training facilities for women to suit their varied needs and skills.
- c. To promote appropriate technologies to improve their efficiency and productivity.
- d. To provide assistance for marketing of products of women entrepreneurs.
- e. To involve women in decision making process.

In India several institutional arrangements have been made to develop women entrepreneurship. The commercial banks and State

Financial Corporations provide loans to women entrepreneurs on preferential basis and concessional terms. SIDCO and DICs provide loans, subsidies and grants to small scale women entrepreneurs. The State level agencies also assist women entrepreneurs in preparing project reports, purchasing machinery, training the staff etc.

To develop women entrepreneurship the united nations declared the decade 1975-85 as the decade for women. The UNIDO preparatory meeting on the **Role of Woman in Industrialisation in Developing Countries** held at Vienna in February, 1978, identified several constraints such as social attitudes, institutional barriers, inadequate employment opportunities, inappropriate and inadequate training, insufficient information and so on which held women back from participating in industrial activities. **The World Conference of the United Nations Decade for Women** held at Denmark in 1980 adopted a programme for promoting women entrepreneurship.

The First National Conference of Women Entrepreneurs held at New Delhi in 1981, recommended the need for developing women entrepreneurs for the overall development of the country. It also called for priority to women in allotment of land, sheds, sanction of power, licensing, financial assistance etc. National Alliance to Young Entrepreneurs (NAYE) had setup a women's wing in 1975. Three international Conferences and Eight National Conventions of women entrepreneurs have been organised by NAYE in different cities of India.

In 1989, The Industrial Development Bank of India (IDBI) setup the Mahila Udayam Nidhi (MUN) and Mahila Vikas Nidhi (MVN) Schemes to help women entrepreneurs. The MUN had provided 15% equity assistance for new units with project cost not exceeding Rs.10 lakhs. The MVN scheme extends aid to voluntary agencies in decentralised industries for training-cum-production centres and management and skill upgradation. The Industrial Policy Resolution of 1991 emphasized the need for conducting special entrepreneurship development programmes for women. This policy also recommended product and process oriented courses enabling women to start small-scale industries.

The Seminar on "Woman and Rural Entrepreneurship" held at Madurai Kamaraj University, in 1990 arrived at the following two conclusions and recommendations.

1. Women are not weak but very strong

2. The industrial and business opportunities are many-electronics, engineering, plastic injection moulding, food and allied activities, pharmaceuticals, energy etc.

Centre for Entrepreneurship Development (CED) at Madurai, is conducting entrepreneurship training programmes for women at reputed educational institutions under the sponsorship of SIDBI. The CED has recently taken up a project sponsored by the International Labour Organisation (ILO) to provide entrepreneurship training to 2400 mothers of child labourers at Tirupur and Virudhunagar.

Recently, in Tamilnadu, the Government has initiated to set up a women's industrial park called 'Tirumullaivoyal Women's Industrial Park' at Ambathur near Chennai. The park is proposed to setup in an area of 218 acres of land. The developed plots and industrial sheds will be allotted to women entrepreneurs through SIDCO.

In Tamilnadu, entrepreneurship training was given to one lakh women in 2001-02 and it has been proposed to give training to 1.25 lakh women during the year 2002-03.

The growth of women's education increases their participation in the non-agricultural professions. Women are gradually coming forward to face challenges and assume responsibilities in various fields-economic-social-and political.

The number of women entrepreneurs in the field of engineering and electronics is on the rise. Women entrepreneurs manufacturing solar cookers in Gujarat, small foundries in Maharashtra and T.V. capacitors in Orissa have proved beyond doubt that given the opportunities, they can excel their male counterparts.

Case studies of several successful women entrepreneurs have revealed that women possess a futuristic outlook and the capacity to nurture new enterprises. These case studies highlight the problems faced by women entrepreneurs and steps taken by women entrepreneurs to overcome the various obstacles to succeed in their ventures. The active participation of women entrepreneurs is essential in the development of small scale industry.

Problems of Women Entrepreneurs

(The basic problem of woman entrepreneur is being a woman. In many developing countries marriage is treated as the only career for women. Despite the constitutional and legal equality, women suffer from male reservations. This attitude of reservations creates problems at all levels like family support, training, licensing, banking and marketing. Some of the specific problems encountered by women entrepreneurs are listed below.

1. Problem of finance

(Finance is the "life-blood" for any enterprise. The access of women to external sources of funds is limited for the reason that they do not generally own properties on their name. Financial institutions consider women less credit worthy and discourage women borrowers on the belief that they may leave their business at any time. Under these circumstances the women entrepreneurs are found to rely on their own savings and loans from friends and relatives which may not be adequate.

2. Scarcity of raw material

(Most of the women enterprises are suffering from the scarcity of raw materials and inputs besides their high cost. In the purchase of raw material, the middle men either deny discount or give the minimum discount to the women entrepreneurs.)

3. Stiff Competition

(Women entrepreneurs do not have organisational set up and they are not able to spend much money for canvassing and advertisement. They have to face a stiff competition from both organised sector and male entrepreneurs for marketing their products.

4. Limited Mobility

(The mobility of women in India is highly limited due to humiliating attitude of men towards them.)

5. Family ties

(The main duty of Indian women is to look after the members of their family. This leaves little time and energy to devote to business.)

Support and approval of husband is vital for the entry of woman into business.

6. Lack of Education

(In India more than 50% of the women are still illiterate. Lack of qualitative education leads to unawareness of business technology and market knowledge and causes low achievement motivation. It also creates problems for women in setting up and running of business.)

7. Male Dominated Society

(Though the constitution of India speaks of equality between sexes, in practice women are treated next to men. This male domination serves as an impediment to the entry of women into business.)

8. Low Risk-Bearing ability

(Risk-bearing is an essential requisite of successful entrepreneur. Most of the Indian women are less educated and economically not independent. This reduces their ability to bear risk involved in running a business.)

9. Over-dependence on Intermediaries → മിഡിൾ മെൻ

(Most of the women entrepreneurs find it difficult to capture the market and make their products popular. So, they have to largely depend on the intermediaries who take away a major part of the profit. It may be possible for the women entrepreneurs to get rid of the intermediaries, but then it will necessitate a lot of running about which may be difficult for them.)

10. High cost of production

(High cost of production has restricted the development of women enterprises. It is true that there are some government programmes which assist women entrepreneurs by providing them with subsidies and concessions. But this assistance is provided only in the initial stage of setting up an enterprise. But for expansion of the productive capacity and installation of new machinery the assistance is meagre, which dissuades many women entrepreneurs from venturing into new areas of business.)

11. Low need for achievement

(Need for achievement, independence and autonomy are the most important pre-requisites for success in entrepreneurship. But the common women in India have preconceived notions about their role in life which inhibit achievement and independence. They bask in the glory of their parents, husbands and children. In the absence of sufficient urge to achieve, only few women succeed as entrepreneurs.)

Besides the above problems there are some other problems which are common to both male and female entrepreneurs. They are inadequate infrastructural facilities, shortage of power, high cost of production, social attitude, low need for achievement and socio-economic constraints.

Suggestions for the Development of women entrepreneurs

Today there is a greater awareness among women. Educating women is absolutely essential in straightening their personality. The need of the hour is to provide an opportunity in a conducive atmosphere, free from gender differences. Today no field is unapproachable to trained and determined modern women. To make the movement of women entrepreneurship a success, both the Government and Non-Government agencies have to play a vital role on the following lines.

- ★ Priorities in allotment of industrial estates to women entrepreneurs.
- ★ Adequate training programmes to women including mobile training centres.
- ★ Financial assistance at subsidised interest rate.
- ★ Assistance in marketing of their products by giving preference to their products in Government's purchasing policy.
- ★ The Government may provide some reservations for admission of women in engineering, medical and agricultural educations.
- ★ A majority of women entrepreneurs are from middle class families with low technical education, but desire to become entrepreneurs. Their potential should be identified and trained.

★ One single nodal agency may be established to provide adequate infrastructural facilities such as flow of adequate working capital, technology, electricity, land and marketing facilities.

Women Entrepreneurship in India

In India, marriage is the only career for most women. Even professionally, they have confined their activities to teaching, office work, nursing and medicine. It is rarely that they enter professions like engineering and business. In 1990, the Indian female population was 437.10 million representing 46.5 percent of the total population. There are 126.48 million women workforce, out of which only 1,85,900 women were self employed. Majority of them are engaged in the unorganised sectors like agriculture, agro based industries, handicrafts, handlooms and cottage based industries. There were 2,95,680 women entrepreneurs of the total 2.64 million entrepreneurs in India during 1995-96. Of this, a majority were concentrated in low paid, low skilled, low technology and low productivity jobs in the rural and unorganised sector. The New Industrial Policy has stressed the importance of entrepreneurship among women. The policy has a strategy for the holistic development of women. This would help improve their economic and social conditions. This policy has redefined 'Women's Units' as units in which they have the majority share holdings and management control.

In 1996, The Department of Small Scale Industry under the Ministry of Industry had taken the initiative to train one lakh women entrepreneurs to take-up trade related activities.

Women Entrepreneurs in Several Industries

Today we see women entrepreneurs in several industries namely electronics, engineering, readymade garments, eatables, handicrafts, doll making, poultry, plastics, soap, ceramics, printing, nurseries, creches, drugs, textile designing, dairy, canning, knitting, beauty parlours, jewellery design, solar cooker etc. Some other potential areas are Bio-technology, Information Technology, Tourism and other service sectors.

"Women entrepreneurs - An exploratory study of Hyderabad" reveals that the motivational factors of self-interest and inspiration from

Obstacles or Barriers to Entrepreneurship

Entrepreneurship development is greatly hindered in the under developed countries due to the presence of several obstacles. Obstacles and barriers are present in almost all the countries. However they are easily overcome in developed countries by the presence of aggressive entrepreneurs and most ideal environment for entrepreneurship. Unfortunately in most under developed nations the role of entrepreneurship in the progress of the country has not been fully realised. Hence a number of obstacles inhibit the development of entrepreneurship. These barriers are discussed below:

Entry Barriers

Entry barriers are defined as those forces limiting access to identified business opportunities and capitalisation on those opportunities. The entry barriers include,

1. A Cultural bias in identifying and managing the entrepreneurial development process.
2. Lack of adequate infra structural facilities.
3. Existence of visible and invisible obstacles to entry of a specific societal group (e.g.: Women, Scheduled Tribes) into business.
4. Unorganised capital market and traditional feasibility assessment processes.
5. Unsympathetic and cumbersome government attitude.
6. Hostile environment.
7. Limited access to technology.
8. Lack of Self Confidence
9. Lack of Managerial skill
10. Low status of business men in the eyes of the public.
11. High risks involved in new enterprises.
12. Market instability.
13. Restrictive effects of customs and tradition.
14. Frequent changes in Government regulations and laws.
15. Lack of viable concept.
16. Lack of seed capital
17. Complacency or lack of motivation
18. Monopoly and protectionism.

Survival Barriers

Survival barriers are defined as constraints on the conditions essential for the continuity of the small business entity. Survival barriers include

1. Constraining practices within the capital market.
2. The threat of changing technology.
3. Limited learning.
4. A behaviour pattern that could weaken basic managerial practices.
5. Failure of guidance agencies to guide.
6. Scarce information and limited dissemination of that information.

Exit barriers

Exit barriers are defined as those constraints limiting the termination of those small industrial ventures that have outlived their business viability or the growth of such ventures to a different size category. Exit barriers include:

1. The emotional commitment of the entrepreneur to his venture.
2. Fear of failure.
3. Specialised assets, sunk funds.
4. Lack of adequate managerial competencies.

Characteristics of an Entrepreneur

A successful entrepreneur must be a person with technical competence, initiative, good judgement, intelligence, leadership qualities, self confidence, energy, attitude, creativeness, fairness, honesty, tactfulness and emotional stability.

1. Mental ability

Mental ability consists of intelligence and creative thinking. An entrepreneur must be reasonably intelligent and should have creative thinking. He must be able to engage in the analysis of various problems and situations in order to deal with them.

2. Clear objectives

An entrepreneur should have a clear objective as to the exact nature of the goods to be produced and subsidiary activities to be undertaken.

3. Business secrecy

An entrepreneur must be able to guard business secrets. Leakage of business secrets to trade competitors is a serious matter which should be guarded against, by an entrepreneur.

4. Human relations ability

The most important personality traits contributing to the success of an entrepreneur are emotional stability, personal relations, consideration and tactfulness. An entrepreneur who maintains good human relations with customers, employees, suppliers, creditors and the society is likely to succeed than one who does not have good human relations.

5. Communication ability

A successful entrepreneur is one who can effectively communicate with customers, employees, suppliers and creditors.

6. Technical Knowledge

Technical knowledge is the one ability that most people are able to acquire if they try hard enough. An entrepreneur must have a reasonable level of technical knowledge.

An entrepreneur must have adequate commitment, motivation and skills to start and build a business. Some other key characteristics of a successful entrepreneur are:

7. Motivator

An entrepreneur must build a team, keep it motivated and provide an environment for individual growth and career development.

8. Self-Confidence

Entrepreneurs must have confidence themselves and the ability to achieve their goals.

9. Long-term involvement :

An entrepreneur must be committed to the project with a time horizon of five to seven years.

10. High energy level :

The success of an entrepreneur depends on the ability to work long hours for sustained periods of time.

11. Persistent problem solver :

An entrepreneur must have an intense desire to complete a task or solve a problem.

12. Initiative :

An entrepreneur must have initiative, accepting personal responsibility for actions and above all make good use of resources.

13. Goal Setter

An entrepreneur must be able to set challenging but realistic goal.

14. Moderate risk taker

He must be a moderate risk-taker and learn from any failures.

These personal traits go a long way in making an entrepreneur a successful man / woman.

ENTREPRENEURIAL SKILLS

Entrepreneurial skills are mainly concerned with various aspects of establishing an enterprise and its management. The entrepreneurial skills include visualisation, planning, setting-up, risk-taking, ability to deal with new situations, organisations and social and economic forces as they emerge from time to time.

The entrepreneur must have the skill to tap positive response from administrators, bankers, infrastructure situations, clients and employees. Often he has to act as the general manager, production manager, purchase manager, personnel manager, controller and research organiser for the business concern during its early stage. He

should have the knowledge of marketing, finance, commercial law, government regulations, quality control and human relations.

Need for skills

Now-a-days the whole world is talking about the transfer of technology. The under developed countries demand technology and resources from developed countries. The developing countries would export the value added semi finished and finished products than exporting raw materials.

The development of entrepreneurial skill must precede transfer of technology, otherwise such technology will be idle. The technologies are developing very fast hence the entrepreneur must develop his skill to match with the dynamic growth of technology.

The entrepreneur must be aware of the imperative need of updated technologies, modern tools and equipments, process and systems and skills.

It is observed that in many least developed countries, sophisticated equipment and machinery imported at heavy cost are lying unutilised for want of trained hands. It is obvious that the accelerated development of human resources and appropriate training of man power must be concurrent with the transfer of technologies which are relevant to the needs of developing countries. This will call for an intensification of effort to develop entrepreneurial skills in all areas of business activity. In order to develop skills for new class of entrepreneurs like women, tribals and young persons from non-traditional families, special training facilities have to be provided.

Factors Affecting Entrepreneurial Growth

The growth and development of entrepreneurship is not spontaneous. It is a phenomenon dependent on various factors such as economical, social, political, cultural and personal factors. These factors are termed as supporting factors or supporting conditions. These factors may have both positive and negative influences. Entrepreneurship will flourish only when these factors are conducive. The negative influences of these factors will inhibit the emergence of entrepreneurship. The various factors influencing the entrepreneurial growth are discussed below.

Economic Factors

The various factors, which promote economic development also account for the emergence of entrepreneurship. The major economic factors are Capital, Labour, Infrastructure facilities, Raw materials and Market.

Capital

Capital is one of the basic requirements to start an enterprise. Only with the availability of capital, an entrepreneur assembles various factors of production and sets the enterprise going on. Hence, capital is regarded as lubricant to the process of production. When there is increase in capital investment, the capital output ratio also tends to increase. As a result there is increase in profit, which ultimately goes to capital formation. This reveals that, as capital supply increases, entrepreneurship also increases. Lack of adequate capital supply will inhibit the growth of entrepreneurship.

Labour

The quality of labour is another factor which influences the emergence of entrepreneurship. The less developed \ developing countries are rich in labour and it is observed that cheap labour is often less mobile or immobile which is unfavourable for the development of

entrepreneurship. Apart from this, there is also general scarcity of skills among all levels of labour, which is a strong deterrent to entrepreneurship. The traditional skills of the workmen are not sufficient for the modern industrial jobs.

However, the problem of low-cost immobile, unskilled labour can be circumvented by plunging ahead with capital-intensive technologies. The disadvantageous high cost labour can be substituted by labour-saving innovations as was done in developed countries.

Infrastructure Facilities

Establishment of a business venture requires certain basic facilities and services like transportation, communication, technical and economic information, supply of power, irrigation facilities etc. They reduce the cost of production, increase output and improve the efficiency of an enterprise. These facilities are not sufficient in under developed countries. Entrepreneurs have therefore to obtain them at their own cost. This affects their profit margin and discourages the entrepreneurs.

Raw Materials

The importance of raw materials in establishing any industrial activity needs no emphasis. In the absence of raw materials, neither an enterprise can be set up and nor an entrepreneur can be emerged. However in certain cases, technological innovations can compensate for the inadequacies in raw materials. In fact, the influence of supply of raw materials is depending upon other opportunity conditions. When other opportunity conditions are more favourable, the raw materials also have more influence on entrepreneurial emergence.

Market

The market potential constitutes the major determinant of rewards/profit for an entrepreneur. Both the size and composition of market influence entrepreneurship. In practice, monopoly in a particular product in a market becomes more influential than a competitive market. However, the disadvantage of a competitive market can be eliminated to some extent, by improvement in transportation system facilitating the movement of raw materials and finished goods and increasing the demand for producer goods.

Non-Economic factors

Though economic factors are necessary conditions for entrepreneurship development, they alone are not sufficient for the emergence of entrepreneurship. Sociologists and psychologists view that the influence of economic factors largely depends upon the existence of non-economic factors such as social, psychological, cultural, political and personal factors.

Social factors

Social factors play a vital role in encouraging entrepreneurship. A society, which is rational, in decision-making would be favourable to entrepreneurial growth. In rational society, decisions regarding the uses of resources and the process of production would be taken based on critical assessment of facts and on scientific standards, which is the order of the day whereas in a non-rational society, important production decisions would be taken on the basis of customs and belief and it is not desirable for entrepreneurs. A society with joint family system discourages individual initiative. As wealth is shared among the members of the joint family, the individual effort and hard work put in by a member is also shared. Thus he is denied the opportunity to enjoy the fruits of his labour fully. In these circumstances, very few people would dare to enter venturesome business. The social setup in less developed countries, where education, research and training are given little importance is not conducive to entrepreneurship.

Cultural Factors

Motives force people to action and the strength of motives depends upon the culture of the society. Ambitious and talented men with strong motives would take risks and innovate. Entrepreneurial growth requires the motives like profit making, acquisition of prestige and attainment of social status. Entrepreneurship would be appreciated and praised in a country with economically or monetarily oriented culture, and accumulation of wealth would be treated as a way of life. In the less developed countries people are generally not economically motivated and agrarian in nature. They use their talents for non-economic ends. They do not attach much importance to business talents.

Personality Factors

In the less developed countries entrepreneur is viewed with suspicion, and the opinion of the public is that the entrepreneur is only a profit maker and an exploiter. This greatly affects the personality of the entrepreneur. When the public opinion is hostile to private entrepreneurship it tends to favour direct State activity in the economy. This leads to the emergence of planning as a means of achieving economic progress, wherein the State plays a pivotal role. Planning imposes controls, which may go against the very personality of the entrepreneur. It is difficult for an entrepreneur to work in a planned economy, as he has to adjust his attitudes and activities within the socio-economic framework set by the State.

Psychological and Sociological Factors

Psychological and sociological factors are not easily distinguishable and can be analysed together. Many entrepreneurial theorists have put forward theories of entrepreneurship that specifically concentrate upon psychological factors. Some of them are discussed below:

The Theory of Need Achievement

One of the most important psychological theories is *David Mc Clelland's* theory of need achievement. According to Mc Clelland, a set of personality characteristics which are indicative of high need achievement is the major determinant of entrepreneurship development. "Need achievement" is a social motive to excel, that tends to characterize successful entrepreneurs, especially when reinforced by cultural factors. Therefore, if the average level of need achievement in a society is relatively high, we can expect a relatively high amount of entrepreneurship development in that society. Some societies tend to produce a larger percentage of people with high "need achievement" than other societies. *Mc Clelland* attributed this to sociological factors. *Mc Clelland*, in his endeavour to answer the question as to why groups respond differently to similar conditions, states the psychological concept of achievement motivation to account for the differences in response to similar conditions. Examining this phenomenon, *Paul Wilken* has said, "Entrepreneurship becomes the link between need

achievement and economic growth", the latter being specifically social factor. The Need Achievement theory states that people with high need achievement are distinctive in several ways. They tend to take keen interest in situations of high risk, desire for responsibility and desire for a concrete measure of task performance. The theory also identifies the factors that produce such people. Initially, *Mc Clelland* attributed the role of parents, especially the mother in bringing her children to be masterful and self-reliant. Later he put less emphasis on the parent-child relationship and gave more importance to social and cultural factors. He concluded that the "need achievement" is conditioned more by social and cultural reinforcement rather than parental influence. He also argued that the need achievement can be developed through intensive training programmes.

Hagen's theory based on withdrawal of Status Respect

Hagen attributed the withdrawal of status respect of a group to the genesis of entrepreneurship. He stressed that at some point many social groups experience a radical loss of status. He believed that the initial condition leading to eventual entrepreneurial behaviour is the loss of status by a group. Status withdrawal is the perception on the part of the members of some social group that their purposes and values in life are not respected by groups in the society whom they respect and whose esteem they value. *Hagen* put forward that four types of events could produce status withdrawal. They are:

- a) Displacement by force,
- b) Unfair criticism/denigration of valued symbols.
- c) Inconsistency of status symbols with a changing distribution of economic power, and
- d) Non-acceptance of expected status on migration to a new society.

He further identifies that withdrawal of status respect would give rise to four possible reactions and create four different personality types. They are:

Incentives

The term "incentive" means encouraging productivity. It is a motivational force for an entrepreneur to plunge into a new venture. Incentives include concessions, subsidies and bounties. Subsidy denotes a single lump sum, which is given by a government to an entrepreneur. The term "bounty" denotes a bonus or financial aid given to an industry to help it to compete with other units in a nation or in a foreign market. It is given in proportion to its output. Bounty gives benefits on a particular industry, while a subsidy is given in the interest of the country.

Need for Incentives

1) To Correct regional imbalances in development.

The developed regions in a country are overcrowded with industrial and business activities. The backward areas remain ignored for want of facilities for industrial development. Incentives motivate the prospective entrepreneurs to promote industries in the backward areas. This confers uniform industrial development in all regions. The development of backward area reduces regional imbalances. The regional industrial development leads to effective utilization of regional resources and improves the standard of living of people at large.

2) To Promote entrepreneurship by removing economic constraints.

The new entrepreneurs may face a number of problems on account of inadequate infrastructure facilities and other supporting services like market assistance, technical training and consultancy, and merchant banking facilities etc. All these problems may demotivate them. The various incentives normally tend to mitigate some or all of the problems by several means. Industrial estates, industrial complexes, availability of power, power tariff concessions, concessional refinance, capital investment subsidy, transport subsidy and the like are few examples of incentives to solve the problems of new entrepreneurs in starting new ventures.

3) To provide competitive strength, survival and growth

Some incentives are available at the time of promotion of industries while other incentives are made available over a long period. Reservation of products to small-scale industries, concessional finance, price preferences, outright subsidy on capital investment, etc., contribute towards the competitive strength, survival and growth of certain industrial concerns.

4) To generate more employment

The incentives and subsidy provided by the Government motivate the entrepreneurs to start industries in backward areas. The acceleration of industrial growth creates more employment opportunities and reduces the problems of unemployment and under employment.

Advantages of incentives and subsidies:

- a) Incentives act as motivational force for a prospective entrepreneur to enter into manufacturing line.
- b) They encourage the entrepreneurs to promote industries in backward areas.
- c) By providing subsidies and incentives the government can
 - i) Facilitate uniform industrial growth and development in all regions.
 - ii) Develop more new entrepreneurs, which leads to entrepreneurial development.
 - iii) Increase the entrepreneurial ability to face competition successfully.
 - iv) Reduce the problems faced by the small-scale entrepreneurs.

Problems of Incentives and Subsidies

- I) Empirical studies reveal that the incentives and subsidies are being highly misused.
- II) Incentives turned out to be grounds for dishonesty.
- III) Incentives and subsidies have given scope for favouritism and rampant corruption.
- IV) Incentives resulted in financial strain on the exchequer.

v) They have become the seeds of unethical business practices.
 vi) The real objective of providing incentives and subsidies is hardly achieved.

Schemes of Incentives in Operation

Different incentive schemes are offered by Central and State Governments to the industrial sector in India. The various incentives offered by both the governments are given below:

- i) Interest free loans.
- ii) Exemption from property tax.
- iii) Exemption from income tax.
- iv) Interest free sales tax loans
- v) Sales tax exemptions.
- vi) Land and Building at concessional rates.
- vii) Exemption from stamp-duty.
- viii) Provision of seed capital
- ix) Allotment of controlled or subsidized raw materials.
- x) Excise concessions.
- xi) Special incentives to women entrepreneurs.
- xii) Export/Import subsidies and bounties.
- xiii) Subsidy for R & D works.
- xiv) Capital investment subsidy.
- xv) Transport subsidy
- xvi) Interest subsidy
- xvii) Subsidies to artisans and traditional industries including handlooms.
- xviii) Subsidy for buying test equipment.
- xix) Subsidy for technical consultancy.
- xx) Subsidising the cost of market studies or feasibility studies or reports.
- xxi) Subsidised consultancy services.
- xxii) Subsidy for market studies.
- xxiii) Subsidy for quality standards.
- xxiv) Subsidy for power generation.

Incentives of Small-Scale Industries

A comprehensive scheme of policies and incentives has emerged over time for the protection and growth of small-scale industry.

1) Reservation of products for Exclusive manufacturing in the small-scale sector.

This policy of reservation was introduced in 1967 with 47 items. As of now, 822 items are in the reservation list.

2) Preferences in Government purchases

The government as well as government organizations show preference in procuring their requirements from the small-scale sector. The Director General of Supplies and Disposals (DGSD) is the agency to purchase from the SSI. This agency purchases 400 items exclusively from the SSI units.

3. Price preference

For Government purchases, price preference to the extent of 15% over and above the prices offered by the medium and large-scale industries will be given to SSI products.

4. Central Excise Duty Exemption

The excise duty exemption scheme for small-scale units was introduced in 1986-87. Full exemption is granted up to a production value of Rs.30 lakhs in a year and 75% of normal duty is levied for production value exceeding Rs.30 lakhs but not exceeding Rs.75 lakhs. If the production value exceeds Rs.75 lakhs, normal rate of duty will be levied.

5. Raw material imports

SIDO plays a major role in assessing the needs and supplying scarce raw materials through imports to SSI. SIDO maintains close liaison with the raw materials suppliers and canalizing agencies like Minerals and Metals Trading Corporation (MMTC) and State Trading Corporation (STC).

6. Financial assistance

Small-scale industries are brought under the priority sector. As a result, financial assistance is provided to SSI units at concessional terms by commercial banks and other financial institutions. To provide more financial assistance to the small-scale sector, several schemes have been introduced in the recent past viz the Small Industries Development Fund (SIDF), National Equity Fund (NEF) and the Single Window Scheme (SWS).

7. Technical consultancy services

The Small Industries Development Organisation (SIDO) provides technical consultancy services to SSI Units. The Technical Consultancy Organisation renders consultancy services to SSI units at a subsidised rate: TCO charges only 20% of the fees to the small-scale entrepreneurs, the balance of 80% or Rs.5, 000 whichever is lower is subsidized by the IFCI.

8. RBI's Credit guarantee scheme for SSI

The RBI takes upon itself the role of a guarantee organization for the advances, which are left unpaid including interest overdue and recoverable charges. This scheme covers working capital as well as advances provided for the creation of fixed assets.

9. Machinery on hire purchase basis

The NSIC arranges supply of machinery on hire purchase basis to SSI units, including ancillaries located in backward areas which qualify for investment subsidy.

10. Transport subsidy

The Transport subsidy scheme, 1971 envisages grant of transport subsidy to small-scale units in selected areas to the extent of 75% of the transport cost of raw materials, which are brought into, and finished goods, which are taken out of the selected areas.

11. Training facilities

The Entrepreneurship Development Institute of India, financial institutions, commercial banks, technical consultancy organizations and NSIC provide training to existing and potential entrepreneurs.

12. Marketing Assistance

The NSIC, the SIDO and the various export promotion councils help SSI units in marketing their products in the domestic as well as foreign markets. The SIDO conducts training programmes on export marketing and organizes meetings and seminars on export promotion.

13. District Industries Centres (DICs)

The Industrial Policy Statement 1977 introduced the concept of DICs. Accordingly a DIC is established in each district. The DIC provides and arranges a package of assistance and facilities for credit guidance, supply of raw materials, marketing etc.

State Subsidies

The Tamil Nadu Government announced various subsidies on July 2000 namely Capital Subsidy, Power Subsidy, Special Capital Subsidy and Generator subsidy to eligible SSI units through DICs.

1. State Capital Subsidy

The Government provides 15% subsidy on investment in plant and machinery and land and building in case of backward areas and Industrial Estates, not exceeding Rs.15 lakhs. The subsidy of 20% on investment in plant and machinery and land and buildings in case of units established in most backward blocks subject to ceiling of Rs.20 lakhs is provided.

2. Special Capital Subsidy

The New SSI Units engaged in the activities coming under thrust sector viz electronic, leather, drugs, pharmaceuticals, auto spare parts, food processing, solar energy equipments etc. are eligible for the subsidy. The rate of subsidy is 20% of fixed capital investment subject to a ceiling of Rs.20 lakhs for electronic and leather industries and Rs.15 lakhs for other industries.

3. Low Tension Power Tariff Subsidy

A subsidy of 40% of energy consumption bill as per electricity board card in first year, 30% in second year and 20% in third year is provided by the state Government.

4. Special Subsidy for Women Employment

The units employing more than 30% women in their work force and located in a notified backward area are eligible for additional 5% subsidy on the fixed capital investment not exceeding Rs.5 lakhs. In the new industrial estates and industrial complexes developed by Government, 30% reservation in the allotment of industrial sheds and developed plots is made to women entrepreneurs.

5. Generator Subsidy

A subsidy of 15% on the original value of the Generator subject to a maximum of Rs.5 lakhs is provided for the purchase of Generators.

6. Subsidy to solar and other renewable Equipments

The Solar energy Equipment manufacturing units will get the subsidy to the tune of 20% of the fixed asset not exceeding Rs.15 lakhs. The users of the equipments will get a subsidy of 10% of the cost of equipments not exceeding Rs.10 lakhs.

7. Interest subsidy scheme for SSI and Tiny Industries

The Tamilnadu State Government has introduced a pioneering scheme to provide back-ended interest subsidy for small scale and tiny industries. The scheme covers the term loans availed by SSI for modernisation and upgradation from TIIC and Commercial Banks and for TIIC loans under the National Equity Fund (NEF). It also covers loans taken from banks & financial institutions for ISO certification and Research and Development (R&D) resulting in registration of Patent Rights and Intellectual Property Rights. For tiny industries, the scheme covers the composite term loans obtained under NSIC-SIDCO consortium loans and under the Credit Guarantee Fund Trust Scheme from Banks & Financial Institutions.

Quantum of Assistance

Under the scheme the Government will provide a subsidy of upto 3 percent of the interest paid on the specified term loans subject to a maximum of Rs. 15 lakhs per loan and for a maximum period of five years. The Tamilnadu Government has allocated a total of Rs.3.50 crores for the scheme for the financial year 2003 - 2004.

Mode of disbursement

TIIC will be the nodal agency for the disbursement of subsidy to SSIs and SIDCO the nodal agency for tiny industries. The subsidy will not be paid in cash to the beneficiary units. The Director of Industries and commerce will release the subsidy to the financial institutions and banks after getting the list of eligible units and their loan and interest repayment details on a quarterly basis. The subsidy will be adjusted against the interest to be paid by the unit for the subsequent quarter. Only the prompt loan repayers are eligible for the subsidy.

8. Credit linked capital subsidy scheme (CLCSS)

The number of industries covered under CLCSS are 30. Under this scheme SSI units would get 12 percent capital subsidy for induction of new technologies.

Technology Development and Modernisation Fund Scheme (TDMFS) was floated by the government with the purpose of encouraging SSI to overcome the barriers of technology upgradation and prevent mechanical obsolescence.

The state government is also providing financial grant to the organisers of trade fairs in order to cover a portion of the participating fee of the SSIs and thereby ease their financial burden.

9. Sales tax waiver / Deferral scheme

There are also concessions like sales tax waiver / deferral scheme upto a ceiling of total investment in fixed assets.

- a. Full Waiver for five years to new and existing units located in most backward taluks.
- b. Deferral for 9 years to New units located in 82 backward taluks and in government developed industrial areas.
- c. Deferral for 5 years subject to a maximum of 60% of the total investment made to new industries in other areas.

New Anna Marumalarchi Thittam

The Tamil Nadu Government in the year 2002 issued an order for the implementation of the New Anna Marumalarchi Thittam (NAMT).

Benefits

These houses are entitled for special import licences for import of such items included in the Negative List of Imports, under a scheme notified in this behalf. They are also eligible for opening of foreign currency accounts in India and abroad and Marketing Development Assistance.

9. Export oriented units and units in Export Processing Zones

Units undertaking to export their entire production of goods may be setup under the Export oriented units (EOU) Scheme or Export Processing Zone (EPZ) Scheme.

Such units may be engaged in manufacture and production of software, horticulture, agriculture, aquaculture, animal husbandry or similar activity. Units engaged in service activities may also be considered on merits.

Benefits for EOU / EPZ Units

Some of the benefits available for EOU / EPZ units are,

- ★ Developed plots / ready-buildings to suit the Project requirements.
- ★ Single point clearance of new projects within 40-65 days.
- ★ No licence is required for import of capital goods, raw materials, consumables, spares etc.
- ★ Duty free import of Capital goods.
- ★ Complete exemption from Income Tax on profits for a period of five years.
- ★ Concessional finance is available for investment and working capital.

Steps for Starting a Small Industry

The development of small-scale industries has been one of the most significant and characteristic features of Indian Industrial development. This sector accounts for 40% of total industrial output and contributes nearly 35% of the total direct exports. SSI's play important roles in employment creation, resource utilization and income generation. The gestation period is very short and they need smaller unit of capital to start. Establishment of such industries in rural areas and small towns helps for a balanced growth of the economy as a whole. They are mostly setup by individuals and they provide an outlet for expression of the entrepreneurial spirit.

Definition

In order to promote small-scale industries in the country, the government of India had setup the Central Small-Scale Industries Organization and the Small-Scale Industries Board in 1954-55. The SSI board defined Small-Scale Industry as a unit employing less than 50 employees if using power and less than 100 employees without the use of power and with a capital asset not exceeding Rs. 5 lakhs.

The employment criterion was dropped in 1960. In the Industrial Policy 1990, the investment ceiling for small-scale industries was raised from Rs.35 lakhs (fixed in 1985) to Rs.60 lakhs. In 1997, the Government of India has further increased investment ceiling to Rs.3 crores on the basis of recommendations of Abid Hussain committee.

The New Industrial Policy in 1999-2000 for small-scale sector has reduced the investment limit for SSI from Rs.3 crores to Rs.1 crore.

Steps to be taken for starting a SSI

An entrepreneur possessing the keen aptitude for setting up a small-scale unit should formulate a business plan and take a number of steps to give shape to his business idea. He has to prepare project report and obtain various approvals and sanctions. The following are the various steps to be taken by entrepreneurs to start a small industrial unit.

1. Selection of the product.

An entrepreneur may select a product according to his own capacity and motivation. He may design a new product (innovative) or copy an established product (imitative) or may make improvements upon existing product in terms of quality, additional uses, comfort and lower price. The economic viability of the product should be assessed on the basis of following demand aspects.

- i) Volume of aggregate existing demand both in domestic market and export market.
- ii) Volume of potential demand.
- iii) The degree of import substitution and the degree of substitution of an existing product.
- iv) The volume of demand by big units for ancillary products.

The necessary information on the above aspects may be obtained from the State Development Agencies, technical publications, industrial houses, giant public sector units and from various research laboratories of CSIR and NRDC. In some cases consultants or experts may be hired for product selection from the Research and Development (R&D) Division of broad industry groups. To ascertain the product viability, the entrepreneur has to obtain accurate market information. He may take-up a market survey either by himself or with the help of an agent/consultant.

Small-scale entrepreneurs in India produce most of the products required for our day-to-day requirements such as ready made garments, leather footwear, detergent soaps and liquids, plastic items like buckets, jerry cans, wallets and purses, food items, vermicelli, macaroni, jams, Jellies, pickles, condiments and so on. The important industries reserved for small scale sector are chemicals, natural essential oils, transport equipments, pressure stove, electrical appliances, electronic equipments, bicycle parts, mathematical and survey instruments, sports goods, stationery items, clocks and watches etc.,

2. Selection of Form of ownership

The most suitable forms of ownership for SSI are

- a) Sole proprietorship

- b) Family ownership
- c) Partnership and
- d) Private Limited Company.

The first two forms are mostly preferred for having unified control over the unit. The next two forms highly facilitate the pooling of financial resources, managerial and technical skills and business experience.

The selection of type of organization is an important entrepreneurial decision. This decision of an entrepreneur depends on a number of variables. The deciding core factors are:

- i) Type of Business – Service, Trade and Manufacturing.
- ii) Selection of Industry and the area of operation.
- iii) Scope of operations, volume of business and the size of the market.
- iv) Amount of capital funds required – Fixed capital and Working capital.
- v) Possibility of raising resources from the market, institutions, subsidies and other incentives.
- vi) Costs and procedures and relative freedom from Government regulation.
- vii) Comparative tax advantages.
- viii) Size of the risk.
- ix) Continuity of the enterprise.
- x) Degree of direct control and adaptability of administration.

The above ten factors are the major factors that will influence the choice of a proper form of an organization.

3. Selection of site.

Any new organization has to take the major strategic decision on locating its facilities. The general objective in selecting a site is to minimize total cost of production and distribution. The selected site should also maximize revenue and provide an opportunity for further growth and expansion.

The most important factors that influence locating an operation may be

- i) Personal factors.
- ii) Economics (purchasing power of community, per capita retail stores etc.).
- iii) Competition.
- iv) Geographic considerations.
- v) Local laws and regulations.

Small business can avail of the benefits provided by the government through its policies on licensing, subsidies, financial concessions, taxes, duties and establishing industrial estates. The nearness to market, raw material, sources of labour supply and availability of infrastructural facilities are also to be considered while selection of site.

4. Designing Capital Structure.

Small Industries require finance for

- i) Purchase and installation of machinery.
- ii) Procurement of raw materials and components and the manufacture of products.
- iii) Working funds.
- iv) Availability of funds until the realization of sales.

The sources of initial capital of a new venture are

- a) Own capital
- b) Long term loans from friends and relatives and
- c) Term loans from banks and financial institutions.

In recent years, the commercial banks and financial institutions play an important role in providing term loans as well as working capital finance to SSI's.

5. Acquisition of Manufacturing or Technical know-how

Many institutions like Government research laboratories, research and development divisions (R&D) of industries and also individual consultants provide the technical know-how. The scale of operation is linked closely with technology, financial resources available, and market. National laboratories, CSIR, and NRDC provide

information on the feasible scale of operation relevant to manufacturing know-how that is sought for by the applicant.

6. Preparation of Project report

An entrepreneur has to prepare a project report according to a standard format. The report normally covers important items like sources of finance, availability of machinery and technical know-how, sources of labour and raw materials, market potential and overall profitability.

All these are systematically estimated and presented balancing the opportunities and constraints. The project report should cover the technical feasibility, economic viability and financial implications of the project / business.

Obtaining licence

Industries employing less than 100 workers and having fixed assets of less than Rs.10 lakh need not obtain any licence under the Industries (Development & Regulation) Act. No formal permission from Central or State Government is necessary. However, SSI's have to conform to the rules and regulations prescribed by state or local authorities under the Factories Act, Commercial Establishments Act, Town planning Rules and rules made for the issue of quotas of raw materials, etc.

If the unit employs 10 persons with the power or 20 without power, registration with the Inspector of Factories will be required according to the Factories Act. The small-scale units employing more than 10 workers should get themselves registered with the Director of Industries in their State. A copy of the application should be sent to the Director of Small Industries Service Institute in the concerned State. Such registration will help the SSI's in obtaining financial assistance, assistance in the supply of controlled raw materials, specific certificate for imported raw materials and facilities for export promotions.

Procedures for Registration of SSI undertaking

The registration of small-scale undertakings can be done in two stages Viz. Provisional Registration and Permanent Registration.

Provisional Registration.

Provisional registration helps the entrepreneur to take necessary steps to bring the unit into existence. It is valid for one year in the first instance and thereafter may be renewed once in six months for a period of two years. It is granted by the Director of Industries. The provisional registration will lapse automatically at the end of three years. It should be converted into a permanent registration once the unit comes into existence. The provisional registration may entitle the entrepreneur to,

- a) Apply for a shed in an industrial estate/develop site in an industrial area.
- b) Apply to Municipal Corporation or other local authorities for permission to construct the shed to establish a unit.
- c) Apply for power connection.
- d) Apply for financial assistance to financial institutions.
- e) Obtain sales tax, excise registration etc.
- f) Apply to the NSIC for procuring machines on hire purchase basis.

Permanent Registration

When the entrepreneur has taken all steps to establish the unit viz.

- i) Factory building is ready.
- ii) All requisite machinery, testing equipments, pollution control equipments are installed.
- iii) Power connection is obtained, application for permanent registration can be made to the DIC.

On receipt of application for permanent registration, the General Manager, District Industries Centre should inspect the unit. The inspection assesses the installed capacity of the unit. On being satisfied that the unit is capable of production activity, a registration certificate may be issued by the Directorate of Industries within one month of the receipt of the application. The Directorate of Industries will maintain a list of all registered small-scale units at its head quarter's office.

Plant Location and Layout**Plant Location**

The chief object of an industrial concern is to maximize profit through the minimization of cost of production. This is possible when the firm is of the right size and is located at a place, which provides economies of all kinds in production. Location of a plant can be judged from the point of view of raw material, market, labour, finance, infrastructure policy, costs, incentives and subsidies. An ideal plant location not only saves on costs but also enhances productivity and profits. If a proper location is not selected then all the money invested on factory building, machinery and other installation will go waste. While selecting a site, the entrepreneur must consider technical, commercial and financial aspects and then select a suitable site that may provide maximum advantages.

Steps in plant location.

Choosing a Plant Location involves the following steps.

- 1) Selection of the region.
- 2) Selection of the locality or community.
- 3) Selection of the exact site.
- 4) Selection of an optimum site.

Location is an extremely important aspect for ensuring commercial success of an enterprise. Hence appraisers evaluate location in relation to availability of raw material, power, labour, fuel, transport, market and other infrastructural needs. The weightage given to different aspects depends upon the type of industry. In case of power and water intensive project, availability of water and power is the major factor to be examined.

Generally if the value-added component is not high, the project may be located near the source of raw materials. If the plant manufactures high value added products, a wide choice in respect of location is available, as the products can bear the to and fro transportation cost of raw materials and finished products.

1. Factors affecting selection of region

Selection of region for a plant is based on the following factors.

- a) Availability of raw materials.
- b) Nearness to market
- c) Availability of power and fuel.
- d) Transport
- e) Suitability of climate.
- f) Government policy
- g) Competition among states.
- h) Meteorological conditions and topography.

2. Factors affecting selection of the locality

- a) Availability of labour.
- b) Civic amenities for workers.
- c) Existence of complementary and competing industries.
- d) Finance and Research facilities.
- e) Availability of water and the fire fighting facilities.
- f) Local taxes and restrictions.
- g) Communication facility.
- h) Cultural affinity.
- i) Religious and Social institutions.
- j) Educational Environment.
- k) Political society.

3. Factors affecting selection of site

Selection of site for a plant is influenced by the following factors.

- a) Soil size and topography.
- b) Cost of land
- c) Expansion potential
- d) Commercial services.
- e) Statutory considerations.
- f) Right and title of land.
- g) Attitude of local people.
- h) State assistance.
- i) Disposal of waste.

4. Selection of an optimum site

Optimum site is selected on the basis of a comparative economic survey of the alternative sites in question.

Selection of Plant Location

Selection of plant location is a strategic decision. It is a one-time decision and cannot be retracted without bearing heavy penalty. Further it is not possible to explain industrial location independently with the help of one factor. There are several factors, which influence the selection of the location of an industry. The most important factors are discussed below:

a) Availability of Raw materials

If the industries are located nearer to raw materials source the cost of transportation will be less. A good deal of economy in transport costs can be achieved, if industries which use weight losing \ perishable materials are located near the source of materials. The plant must be located near ports if it uses imported raw materials. The entrepreneur must also consider the reliability and continuity of the source of supply at reasonable prices.

b) Proximity to market

The industries, which use 'pure' raw materials, that is materials which do not lose much of their weight in the course of production, are generally located near the markets. Example: Cotton textile industry is located near market. If the products are fragile and highly susceptible to spoilage the plant should be located nearer to the market. The high transportation cost of finished goods also influence the location of plant nearer to the market.

c) Infrastructural Facilities

The infrastructural facilities include transport, communication, power, water, banking etc. The degree of dependency upon infrastructural facilities may vary from industry to industry. The availability of water may become the deciding factor for the location of industries like leather, food processing and chemical industries. The transport facilities available in a region and the freight rate policy are also of great

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Unit 1 - Entrepreneurship

Definition of Entrepreneur and Entrepreneurship – Characteristics of entrepreneurship – Functions of entrepreneurs – Qualities of a true entrepreneur – Different types of entrepreneurs – Kao's Conceptual model of Entrepreneurship – Growth of entrepreneurship in India – Women entrepreneurs – Problems and Prospects

Unit II - Entrepreneurial Motivation and Systems

The motivating factors – David McClelland's Achievement Motivation Theory – Search for business ideas – Sources of ideas – idea processing and selection of ideas

Unit III - Project Identification and Classification

Meaning of Project – project objectives – project classification – Identification – Desk Research and Techno Economic Survey – project constraints - Internal and external – Project life cycle.

Unit IV - Promoting and Starting an Industrial Unit

Nature and types of promoters - steps to start a small scale industry – Meaning and definition of incentives and subsidy - need for incentives – incentives and subsidies available.

Unit V - Institutions for Entrepreneurial Development

District Industries Centre (DIC) – State Small Industries Corporation (SSIC) – Small Industries Development Corporation (SIDCO) - Industrial and Technical Consultancy Organization of Tamilnadu (ITCOT) – National Alliance of Young Entrepreneurship (NAYE) – Commercial Banks – New Entrepreneurial Development Agency (NEDA) – Directorate of Industries – Indian Investment Centre.

Books for Reference:

1. Entrepreneurial Development - C.B. Gupta and N.P. Srinivasan
2. Entrepreneurial Development - Saravanavel
3. Entrepreneurial Development - S.S. Khanka
4. Entrepreneurial Development - Vasant Sathe

UNIT – I

ENTREPRENEURSHIP

INTRODUCTION :

The 'entrepreneur' is very much related to the term 'Entrepreneurship'. Both these terms are often used interchangeably. But they are conceptually different. Hence, before dealing at length about entrepreneurship, it is better to have an exposure to the term entrepreneur.

ENTREPRENEUR :

Generally speaking, entrepreneur refers to a person who establishes his own business or industrial undertaking with a view to making profit. "An entrepreneur is considered to be an originator of a business venture. He takes the role of an organiser in the process of production.

The word 'Entrepreneur' is derived from the French word 'Enterprendre' meaning to undertake. Richard Cantillon, an Irish man living in France, was the first economist who introduced the term 'entrepreneur' referring to the risk taking function of establishing a new venture.

DEFINITION OF ENTREPRENEUR :

Richard Cantillon says, "All persons engaged in economic activity are entrepreneurs."

J.A. Schumpeter is of the view that, "A person who introduces innovative changes is an entrepreneur and he is an integral part of economic growth."

According to **Webster**, "Entrepreneur is one who assumes risk and management of business."

DEFINITION OF ENTREPRENEURSHIP:

A.H. Cole has defined entrepreneurship as "The purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain, or earn profit by production and distribution of economic goods and services".

According to **Heggins**, "Entrepreneurship is meant the function of seeking investment and production opportunity, organising an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials and selecting top managers of day-to-day operations".

CHARACTERISTICS OF AN ENTREPRENEUR

There are certain characteristic features which make an entrepreneur successful in his venture. They have been briefly discussed hereunder:

1. **Hard Work** : A successful entrepreneur is one who is willing to work hard from the very beginning of his enterprise. An entrepreneur with his tenacity and hard work and pervasive perseverance can revive his business even from on the verge of collapse.
2. **Business Acumen and Sincerity** : Business Acumen stands for shrewdness and ability. Again, the success of an enterprise depends upon the sincerity of the people behind the enterprise. If a person is sincere about his venture, he will move heaven and earth to make it a success.
3. **Prudence** : A successful entrepreneur must be prudent in all his dealings. He should have the ability to work out the details of the venture from all angles, assess the favourable factors and pitfalls and take suitable measures to overcome the pitfalls.
4. **Achievement Motivation** : The achievement motivation is the most important characteristic of an entrepreneur since all other characteristics emanate from this motivation. He must have a strong desire to achieve high goals in business.
5. **Self-reliance and independence** : A successful entrepreneur wants to follow his own policies and procedures and he does not like to be guided by others. He is found to be self-reliant by acting as his own master and making him responsible for all his decisions. He doesn't like to work for others.
6. **Highly Optimistic** : Successful entrepreneur is always optimistic about his future and he is never disturbed by the present problems. He always expects a favourable situation for his business.
7. **Keen Foresight** : An entrepreneur must have keen foresight to predict the future business environment.
8. **Planning and Organising Ability** : An entrepreneur is a firm believer in planning and systematic work. Above all, he must have the ability to bring together all scattered resources required for starting up a new venture.
9. **Risk Taking** : An entrepreneur is not a gambler and hence he should not assume high risk. However, he must love a moderate risk situation, high enough to be exciting, but with a fairly reasonable chance to win.
10. **Secrecy Maintenance** : A successful entrepreneur must be capable of maintaining and guarding all his business secrets. Leakage of business secrets to trade competitors will definitely lead to the downfall of his business. Hence, he should be very careful in selecting his subordinates.
11. **Maintenance of Public Relations** : The extent of maintenance of public relations or human relations has a vital role to play on the success or failure of an entrepreneur. A successful entrepreneur must have cordial relations with his customers to gain their continued patronage and support. He must also maintain good relations with his employees with a view to motivating them to higher levels of efficiency.

12. **Communication Skills** : Communication is the secret of the success of most entrepreneurs. Good communication skill enables them to put their points across effectively and with clarity and thereby helps them to win customers.

FUNCTIONS OF ENTREPRENEUR

An entrepreneur performs all the functions right from the conceiving of an idea up to the establishment of an enterprise. He is an opportunity seeker. He organises and co-ordinates the factors of production. His main functions are discussed below:

1. Generating Business Idea

Generating of idea is the first and foremost function of an entrepreneur. Essentially there are only two ways in which business ideas can be created namely,

- (i) generating own idea,
- (ii) developing someone else's idea.

The second is far more common because virtually every successful business is a development of an earlier business concept. These include areas such as management buy-outs/ buy-ins, corporate spin-offs, franchising and buying an existing business.

In terms of generating business ideas, there are three sources of opportunities such as adverts, agents, and opportunity spotting, or watching out for business that one find match his objectives.

2. Determining Business Objectives

The next function of entrepreneur is determining business objectives. He should lay down his objectives clearly. He should clearly state the nature of business and the type of business. In other words, he has to specify clearly whether the business, which he decides to start, belongs to manufacturing activities or trading or service oriented organisation. It will enable him to carry on the activities without any hesitation.

3. Product Analysis

The next important function of an entrepreneur is product analysis and market research. He should conduct market research in order that the data regarding the product, which he likes to manufacture, can be systematically collected. It should be carried on persistently because it gives him the information regarding the demand for the product, supply of the product, price of the product, size of the customers etc.

4. Deciding the Form of Enterprise

Another important function of an entrepreneur is deciding the form of an enterprise. It should be decided by taking into account the factors such as nature of the product, volume of investment, nature of activities, type of product, quality of product, quality of human resources etc. The various forms of organisation that are prevalent are sole trading concerns, partnership firms, co-operative society and joint stock companies. Before establishing an organisation, the form of ownership is to be decided. Because, based on the form of ownership only, the other legal formalities can be carried on to establish the organisation.

5. Promoting the Enterprise

Once the form of ownership is decided, the next step is undergoing the necessary legal formalities as required under the relevant statute if any to establish an organisation. In case of sole trading concerns and partnership firms, there are not many legal formalities when compared to joint stock companies and co-operative societies. He has to read the relevant statute and fulfil the necessary legal formalities in establishing the enterprise.

6. Raising Necessary Funds

Finance is the life-blood of any business because all the activities of a business depend upon it. Hence raising of finance is considered as the most important function of an entrepreneur. He needs funds for purchasing assets, carrying out day-to-day activities, meeting establishing expenses etc. He raises funds internally as well as externally. He should know well about the pros and cons of different sources of funds so that he can choose the cheapest way. He should also have the full knowledge about various government-sponsored schemes, which enables him to get assistance in the form of seed capital, working capital etc.

7. Procurement of Machine and Material

The next function is procuring machines and raw materials. Machines and equipments are purchased and installed in the initial stage itself. While purchasing them he should consider the aspects like details as to the technology adopted, installed capacity of the machines, details of manufactures and suppliers, country in which the machines are manufactured i.e., whether they made domestically or in a foreign country, availability of after-sales service facilities and warranty period given etc. This will enable entrepreneurs to buy quality machines at cheaper rates.

8. Recruiting Men

Recruiting of suitable personnel for the various activities of the enterprise is another important function of an entrepreneur. First of all, entrepreneur has to estimate the manpower need of the enterprise. Then he has to lay down the selection procedure. He should devise suitable method of compensation. Arrangements should be made for giving training to personnel to the jobs for which they have been recruited.

9. Undertaking the Activities

This is the stage of implementing the project. It should be done in a time-bound manner. He should perform it as per schedule. This will enable him to avoid cost and time over run and also competition.

All the above said functions can be broadly categorized into three namely,

1. Risk-bearing.
2. Organisation.
3. Innovation.

As these functions have already been dealt with in the earlier part of the Chapter, they are not discussed again here to avoid the repetition.

Common Entrepreneurial Traits or Qualities of Good Entrepreneur

The entire entrepreneurial history of the world reveals that a human being to qualify as a successful and ideal entrepreneur in any field of social endeavour should possess the following entrepreneurial attributes and abilities to discharge the entrepreneurial functions in the most effective manner. Thus, a true entrepreneur is the whose personality is gifted with the following entrepreneurial endowments.

1. Mental ability:

Mental ability consists of intelligence and creative thinking. An entrepreneur must be reasonably intelligent, and should have creative thinking and must be able to engage in the analysis of various problems and situations in order to deal with them.

2. Clear objectives:

An entrepreneur should have a clear objective as to the exact nature of the business, the nature of the goods to be produced and subsidiary activities to be undertaken. A successful entrepreneur may have the objective to establish the product, to make profit or to render social service.

3. Business secrecy:

An entrepreneur must be able to guard business secrets. Leakage of business secrets to trade competitors is a serious matter which should be carefully guarded against by an entrepreneur. An entrepreneur should be able to make a proper selection of his assistants.

4. Human relations ability:

The most important personality factors contributing to the success of an entrepreneur are emotional stability, personnel relations, consideration and tactfulness.

5. Communication ability:

Communication ability is the ability to communicate effectively. Good communication also means that both the sender and receiver understand each other and are being understood. An entrepreneur who can effectively communicate with customers, employees, suppliers, and creditors will be more likely to succeed than the entrepreneur who does not.

6. Technical knowledge:

An entrepreneur must have a reasonable level of technical knowledge. Technical knowledge is the one ability that most people are able to acquire if they try hard enough.

7. Motivator:

An entrepreneur must build a team, keep it motivated and provide an environment for individual growth and career development

8. Self-confidence:

Entrepreneur must have belief in themselves and the ability to achieve their goals.

9. Long-term involvement:

An entrepreneur must be committed to the project with a time horizon of five to seven years. No ninety-day wonders are allowed.

10. Persistent problem solver :

An entrepreneur must have an intense desire to complete a task or solve a problem. Creativity is an essential ingredient.

11. Initiative:

An entrepreneur must have initiative, accepting personal responsibility for actions, and above all make good use of resources.

12. Goal setter:

An entrepreneur must be able to set challenging but realistic goals.

13. Moderate risk-taker:

An entrepreneur must be a moderate risk-taker and learn from any failures.

14. Deep knowledge of social, political and economic world:

An entrepreneur should have a wide knowledge about the changing global environments.

15. Judgemental perseverance and foresightedness:

An ideal entrepreneur should be perseverant in nature and have the ability to predict the forth comings.

16. Ability to infuse dynamism in the organization:

To cope with this dynamic world, a successful entrepreneur should infuse dynamism in his organisation.

17. Sharp acumen of reacting to changing environment:

To be a successful entrepreneur, he should able to react quickly to the changing environment.

18. Strong cultural base, widespread sociological and healthy family background :

Last but not the least, he should possess some sort of cultural base, which extends his sociological outlook.

Thus, an entrepreneurial personality is well equipped with excellent skills of numerous character such as human skills, social skills, entrepreneurial skills, legal skills, professional skills, political skills, fund mobilizing skills and environmental skills etc. But it is the external law of nature that such entrepreneurs of skills, experience, dexterity, expertise and flair are very scarce in numbers.

Essential Qualities of an Entrepreneur:

The essential qualities of an entrepreneur refer about the presence of the entrepreneurial skills and attributes. The essential qualities which contribute to the success of entrepreneurs are as follows.

1. Sound entrepreneurial education and training.
2. Entrepreneurial skills, attitude and temperament.
3. Achievement motivation and success-oriented endeavours.
4. Sound entrepreneurial mental health.
5. Entrepreneurial secrecy, liaisons, communication, dynasty and leadership.
6. Innovative spirit and risk-bearing capacity.
7. Strong dream and will to build his own kingdom.
8. Impulses to fight for the sake of success.
9. Desire to enjoy the fruits of entrepreneurial genius.
10. Living organs to sense the changing environment.

Different Types Of Entrepreneurs :

According to **Clarence Danhof** an entrepreneur may be classified as follows :

- i. Innovative Entrepreneur
- ii. Adoptive or Imitative Entrepreneur
- iii. Fabian Entrepreneur
- iv. Drone Entrepreneur

i. Innovative entrepreneur :

This type of entrepreneur is highly motivated and talented and “innovation” is his key function. According to Peter F. Drucker an innovating entrepreneur is one “who always searches for change, responds to it and exploits it as an opportunity.” He creates new values or increases the value of what already exists. An innovative entrepreneur may exhibit his talents of innovation in any one of the following forms :

- ❖ Introduction of a new product.
- ❖ Introduction of a new quality of an existing product.
- ❖ Introduction of a new method of production.

- ❖ Opening of a new market.
- ❖ Discovery of a new source of supply of raw materials or semi-finished goods.
- ❖ Reorganisation of the enterprise so as to achieve monopoly or to break up the monopoly position.

ii. Adoptive or Imitative Entrepreneur :

An imitative entrepreneur does not innovate anything by himself, but he only imitates techniques and technologies innovated by others. He follows the innovators after carefully observing how the latter fare and to what extent their innovation has caught the imagination of the society.

This type of entrepreneur has a vital role to play in developing countries. Innovative entrepreneurs are scarce in developing countries. Hence, developing countries need imitators who are responsible for the development of their countries with the limited resources available in these countries.

iii. Fabian Entrepreneur :

Normally, he has neither the will to introduce any new changes nor the desire to adopt new methods. He is ready to imitate only when it becomes perfectly clear that failure to do so would definitely result in heavy loss for him. He is dominated more by customs, religions, traditions and past practices and he is not ready to take any risk at all.

iv. Drone Entrepreneur :

Drone Entrepreneur is one who blindly follows the traditional methods of production even when it causes loss to him. He continues to carry out his business in the traditional way even when he suffers losses. For example, the coir industry in Kerala is dominated by drone entrepreneurs.

Cole's Classification:

Arthur H.Cole classifies entrepreneurs as follows:

- 1. Empirical Entrepreneur:** An empirical entrepreneur is one who never introduces anything revolutionary in his method of production.
- 2. Rational Entrepreneur:** A rational entrepreneur is one who is ready to introduce even revolutionary changes on the basis of the general economic conditions prevailing in that area.
- 3. Cognitive Entrepreneur:** A cognitive entrepreneur is one who takes the advices and services of experts and introduces changes. Since he acts on the advice of experts, he is called a cognitive entrepreneur.

John Kao's Conceptual Model of Entrepreneurship

Kao's has developed a conceptual model of entrepreneurship

1. The person

2. The task
3. The environment
4. The organisation

The model is presented in fig. 1.1

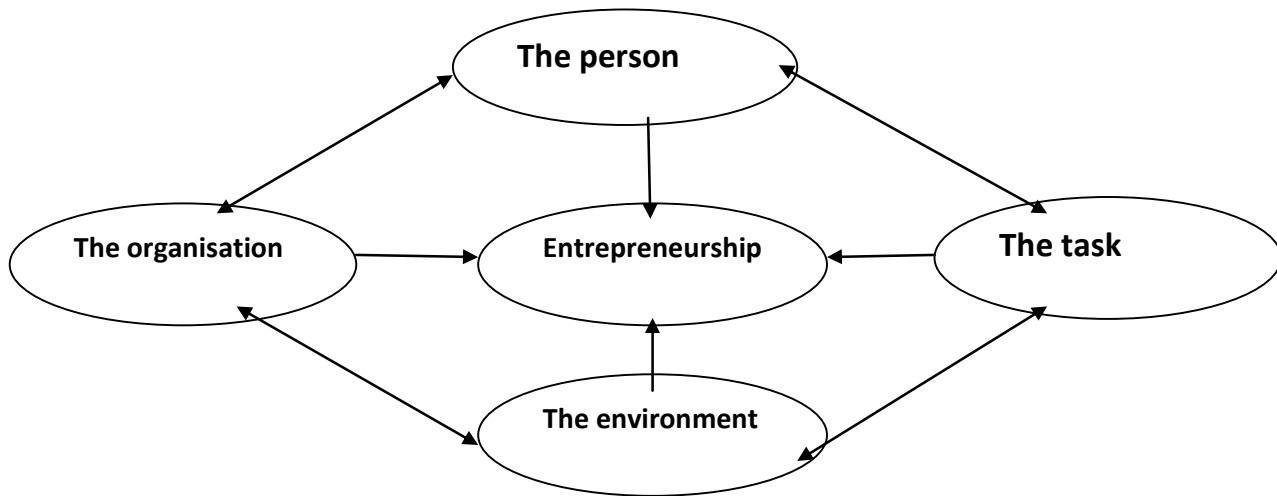


Fig. 1.1. A conceptual model of entrepreneurship.

There are several obstacles in defining entrepreneurship clearly.

1. First, everyone has a personal opinion or understanding of entrepreneurship.
2. Secondly, entrepreneurs are viewed as the new cultural heroes and are held in awe due to which critical examination of their characteristics is obscured.
3. Thirdly, entrepreneurship is an abstraction, through entrepreneurs are tangible persons.
4. Fourthly, well designed and controlled research studies on entrepreneurship are very few.
5. Lastly, when it is assumed that entrepreneurship is something opposed to or divorced from management defining entrepreneurship become difficulties.

ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT OR GROWTH OF ENTREPRENEURSHIP IN INDIA

INTRODUCTION:

Entrepreneurs play a significant role in the economic development of a nation. They are the most important input for the economic development of a nation. Economic development is impossible without the existence and development of entrepreneur in a society. A country may possess immense natural resources and a vast population. But these resources cannot be effectively utilized without the touch of the entrepreneur. Hence,

entrepreneurs are considered as most essential for the growth of any economy. They play many roles in the development of a nation's wealth and welfare. A brief discussion on the roles played by entrepreneurs is made here under.

ROLE OF ENTREPRENEURS

Entrepreneurs play their role in different capacities such as innovators, generators of employment opportunities, and developers of economy. A brief discussion on these roles of entrepreneurs is made in the forthcoming pages.

A. Role of Entrepreneurs as Innovators in Economic Development

One of the most important themes in the definition of entrepreneurship is innovation. Entrepreneurship involves changing, revolutionizing, transforming and introducing new approaches. Entrepreneurs as innovators perform an important role in the economic development of a nation. **Schumpeter** considered the entrepreneurs as the key figure in the economic development of a nation because of their role in introducing innovations. **Parson** and **Smelser** described entrepreneurship as one of the two necessary conditions for economic development, the other one being the increased output of capital. **Harbison** includes entrepreneurs as one of the prime movers of innovation. **Saysingh** simply describes entrepreneurship as a necessary dynamic force. It is also believed that development does not occur spontaneously as a natural consequence. A catalyst or agent is needed, which requires an entrepreneurial ability. It is the ability that he perceives opportunities, which either others do not see or care about. Essentially, the entrepreneur searches for change, sees need and then brings together the manpower, material and capital required to respond the opportunity what he sees. Innovation helps in coping with the international order and the dynamism of society. Being innovator, entrepreneurs perform a variety of functions to provide for the acceleration of economic growth, which are as follows:

1. Introduces New Combinations in the Means of Production :

As an innovator, entrepreneur brings out new products, new techniques of production, opens up a new market, finds out new sources of raw materials, a novel use for existing products, a new type of organisation etc. All these result in growth and development of a country's economy through increased supply of products, savings in production cost etc.

2. Enables Progress in Technology :

Entrepreneurs make use of potential technical knowledge, which enables continuous technological progress. It removes diminishing returns because technological progress leads to innovation, and consequently results in steady increase in total output and per capita output.

3. Aims at Leadership :

As **Peter F. Drucker** says, ” a successful innovation aims at leadership” because leadership is a most logical attribute of entrepreneur to bring about economic development.

4. Implement Skills :

Entrepreneur makes use of his conceptual skills to bring about improvement in the quality of the product. It is a continuous function of an entrepreneur. There is no end to it. In this world of competition, an innovative entrepreneur alone can survive. Lack of innovative spirit may, in due course kill an enterprise.

B. Role of Entrepreneur in Generating Employment opportunities :

Entrepreneurs play an important role in generating employment opportunity, which is vital to the overall long-term economic health of nations. They initiate, stimulate, promote and maintain economic activities as to production and distribution of goods. Hence they are considered as an integral part of socio-economic transformation. Entrepreneurs perform a significant role in establishing tiny, micro, and small scale industrial enterprises. It helps in generating a lot of employment opportunities, which is the need of the hour for a country like ours. It leads to creation of both self-employment and job opportunities, and consequently helps in minimising unemployment problem in the country.

C. Role of Entrepreneur in increasing Economic Growth :

The important role that entrepreneurs play in the economic development of a country can be described as shown here below:

1. Capital Formation :

Capital formation is the most crucial element for economic growth. It is always necessary to increase the rate of capital formation so that the economy accumulates a large stock of machines, tools, equipments, which can be geared into production by the entrepreneur. Entrepreneurship promotes capital formation by mobilizing the idle saving of the public.

2. Generates Employment :

Entrepreneurs establish small scale industrial units and thereby they generate employment opportunities. It helps in the reduction of unemployment problem, which is the root of all socio-economic problems.

3. Promotes Balanced Regional Development :

Entrepreneurs plays a crucial role in bringing about social stability and balanced regional development. In each and every country, entrepreneur is considered as a valuable human resource.

Entrepreneur, as a catalyst of change, tries to bring about balanced regional development in the following ways:

- Establishing industries in rural and backward areas.

- Establishing agro-based industries so as to co-ordinate the dispersal process and develop agriculture.
- Utilising indigenous technology for creating of enterprise in backward areas.
- Developing handicraft and cottage industries sector to bring about balanced regional development.
- Establishing industries in rural and backward regions and availing concessional finance, investment subsidy, transport subsidy, etc., provided by the government.

4. Reduces Concentration of Economic Power

The responsibility of social stability lies on his shoulder. He brings about it through the following ways:

- Minimising poverty.
- Diffusing prosperity and checking expansion of monopolies.
- Equitable distribution of income.
- Creating employment opportunities.

5. Effective Use of Resources

Entrepreneurs are needed in a society so that natural resources and human resources can be exploited most effectively for the general welfare of mankind.

6. Induces Backward and Forward Linkages

Entrepreneur induce change in the economy by way of forward and backward linkages. Establishment of a large scale unit generates several ancillary industries as well as several other industries, which grow by utilising the raw materials and by-products produced by the mother plant. In this way, entrepreneurs supplement the economic growth.

7. Promotes Country's Export Trade

It also promotes country's export trade, which is an important ingredient to economic development. The role of entrepreneur is of fundamental importance as far as export promotion and import substitution are concerned.

Export Promotion:

It promotes exports and thereby it ensures the following

1. Minimum dependence on imports from abroad.
2. Exploring of new markets.
3. Foreign exchange earnings.
4. Minimising the burden of debt servicing.
5. Utilising the available resources.
6. Exporting handicraft items.
7. Meeting the balance of payments deficits.

Import Substitution:

Import substitution refers to the expansion of domestic production and replacement of the imports, mainly capital goods. This can be done by the entrepreneurs who can encourage the use of indigenous technology and reduction in dependence on technical know-how from abroad. The role of entrepreneur in import substitution can be viewed mainly from the following angles:

- a) Achieving self-reliance in production of as many goods as possible.
- b) Saving foreign exchange for import of goods.

Thus, it is clear that entrepreneurship serves as a catalyst of economic development. On the whole, the role of entrepreneurship in economic development of a country can best be put as “An economy is the effect for which entrepreneurship is the cause”

WOMEN ENTREPRENEURS

Women-owned businesses are playing a significant role in the surge of entrepreneurial activity in the United States. The Centres for Women’s Business Research states that the number of majority-owned and privately held women-owned business has increased from 5.4 million in 1997 to 6.2 million in 2002. These businesses employed almost 9.2 million people and generated over \$1.15 trillion in sales.

In the U.S.A fourth., women own one of business. In Canada it is one third and in France it is one fifth. In general, women are attracted to retail trade, restaurants, hotels, education, insurance and manufacturing. They perform exceedingly well in laundries, dry cleaning, hairdressing and private nurseries. It is reported that highest number of self-employed women are in Sweden followed by England, France and the U.S.A.

According to the information available, women constitute only 5.2% of the total self-employed persons in India. Majority of them have opted for agriculture, agro based industries, handicrafts, handlooms, and cottage based industries (1981 census). But in 1988-89, it has improved. It is 9.01% of the self-employed persons. It is a healthy sign that woman participation in entrepreneurship is increasing. But the pace of increase can be improved through proper education, training and motivation.

CONCEPT OF WOMEN ENTREPRENEURS

Women entrepreneurs may be defined as the woman or group of women who take initiative to set up a business enterprise and to run it smoothly.

According to **Schumpeter**’s concept, “Women who innovate, imitate or adopt a business activity are known as women entrepreneurs”.

Government of India, based on women participation in equity and employment of a business enterprise has defined women entrepreneurs as “An enterprise owned and controlled

by a women having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women”.

However the definition of Government of India has been criticised by many on the condition of employment of at least 51% women workers.

To conclude, we can define “Women entrepreneurs are those who generate business idea, set up an organization, combine the factors of production, operate the unit, undertake risks and handle problems involved in operating a business enterprise”.

FUNCTIONS OF WOMEN ENTREPRENEURS

Being an entrepreneur, women also should perform all the functions, which an entrepreneur is expected to perform in establishing an enterprise. Functions of entrepreneurs generally involve idea generation and screening, determination of objectives, preparation of project, analyzing product, deciding the form of organization, promoting an enterprise, raising funds, recruiting men, arranging for machines, materials etc., and running the business.

Besides, whether men or women, an entrepreneur is expected to perform the functions brought under the following three categories, which we discussed in the first chapter itself.

- Risk-bearing.
- Organisation.
- Innovations.

Frederick Harbison in his article has enumerated the following as the functions of a women entrepreneur:

- Exploring the prospects of starting new enterprises.
- Undertaking of risks and the handling of uncertainties.
- Introduction of new innovations.
- Imitation of successful ones in existence.
- Coordination, administration and control of business activities.
- Supervising and leading in all aspects of the business.

PROBLEMS/CHALLENGES FACED BY WOMEN ENTREPRENEURS

Being a successful entrepreneur is so difficult because it is not easy to research, plan, organize, launch, and manage an entrepreneurial venture successfully. Besides, due to race/gender, entrepreneurs face some additional challenges. Especially, minority and women entrepreneurs face all sorts of challenges.

PROBLEMS OF WOMEN ENTREPRENEURS

1. Problem of Finance

The main challenge, which women entrepreneurs face, is getting the funding they need to start and grow their business. Access to capital is a serious issue for minority and women entrepreneurs. A study by the Federal Reserve System of Small-business Financing Patterns found that minority small-business owners have an extremely hard time in getting credit.

Studies have shown that they have lower levels of available credit than do their male counterparts. So, the capital problem is definitely real and very serious. Access to capital to start and grow their entrepreneurial ventures is an extremely difficult barrier for women entrepreneurs.

2. Conflict between Work and Family

Another challenge that women entrepreneurs, particularly, face is the conflict between work and family. Although this issue can, and does, arise for male entrepreneurs also, it is especially acute for women because many child-rearing and family responsibilities fall on them. Being an entrepreneur can be a 24 x 7 (24 hours a day, 7 days a week) commitment. Running a successful business often means finding a healthy balance between work and family lives.

3. Shortage of Raw Material

Scarcity of raw materials is yet another challenge that women entrepreneurs face. They suffer from higher prices and lower discount rates.

4. Stiff Competition

Women entrepreneurs face intense competition for their goods from organized sector and male entrepreneurs. This is because they do not have enough funds to spend on advertisement, canvassing and publishing their products.

5. Limited Mobility

In our country, mobility of women is highly limited on account of various reasons. They cannot travel freely from one place to another for business reasons. An entrepreneur has to get sanctions at varied levels from various government departments all of which require free mobility.

6. Low Literacy Rate among Women

Rate of literacy among women is very low in India. Education is important for a person to be aware of latest technology, business trends, market knowledge etc. This creates additional problem for women entrepreneurs in setting up and running business enterprises.

7. Male-Dominated Society:

Male-domination is still the order of the day in our country. Equality between sexes is only on paper, speeches, constitution etc. In practice, still women are considered weak in all aspects. Men in the society dominate the business world and men in the families do not permit female members to start their ventures.

8. Lack of Motivation

Fear to failure is too much in women than men. This fear creates no motivation in them. Hence, lack of motivation among women entrepreneurs is considered as another barrier, which stands in the development of women entrepreneurs.

9. Low Achievement Need

Need for achievement is the most important pre-requisite for success in entrepreneurship. In India, urge to achieve is lacking. It acts as another barrier to succeed in their venture.

10. Low Risk-bearing Capability

Generally, women in India are confined to the four walls of the house. They are less educated and thus, economically backward. This reduces their risk-bearing capability while running their enterprise.

11. Discrimination in Upbringing

Right from early childhood, girls are taught not to be aggressive or independent. Initially they depend upon parents, later upon husbands, and in old age upon sons. They are discouraged to move out of the family and take up their business. Such type of conservative attitude of the family members makes the women weak and passive in their approach. Normally others take decisions for them.

Besides women entrepreneurs face the challenges of managing business growth successfully, finding and keeping qualified employees, and keeping up with technology and other market changes. These are the challenges that all entrepreneurs face. However, even with the additional challenges they face, women entrepreneurs are “**Making it**”.

SCHEMES FOR WOMEN ENTREPRENEURS:

Government, banks and financial institutions have introduced different schemes for the development of women entrepreneurs in India.

1. Development of Women and Children in Rural Areas(DWCRA)
2. Schemes of IDBI
 - a) Interest Subsidy
 - b) Refinance Facility
 - c) Mahila Udyam Nidhi (MUN)

- d) Mahila Vikas Nidhi (MVN)
- e) Indirect Loans
- 3. Scheme of Karnataka SFC.
- 4. Scheme of IFCI.
- 5. Rajasthan Financial Corporations Scheme.
- 6. SBI's Stree Shakti Package.
- 7. SIDBI's Assistance.
- 8. BOI Priyadarshini Yojana.

1. Development of Women and Children in Rural Areas(DWCRA)

DWCRA is a scheme introduced by Government of India for the encouragement of women entrepreneurship. Generally a woman is unable to start a venture (independently) due to various reasons. The concept of teamwork has been introduced to make them courageous enough to start their own enterprises. This idea has been incorporated into a scheme and the Government implemented the scheme known as “**The Development of Women and Children in Rural Areas (DWCRA)**”.

It is a sub-scheme of Integrated Rural Development Programme. Its objective is to provide them with opportunities of self-employment. A distinguishing feature of DWCRA is “**Group Activity**”. Women form groups of 10 to 15 to take up economic activities suited to their skills and aptitudes. One woman among the group has to function as “Organiser”, to manage, plan, and control the activities. The activity is selected by the group members and not by the governmental agency. The activity selected must be economically viable.

2. Schemes of IDBI

Various schemes that are designed by the IDBI to assist women entrepreneurs are detailed below:

a. Interest Subsidy Scheme:

Industrial Development Bank of India has formulated this scheme to encourage entrepreneurial development among women. IDBI provides training and post-training follow up expenditure upto Rs. 10,000. Successful trainees are eligible for interest subsidy up to Rs. 25,000 for one year if they start small scale unit. If the unit is medium scale, interest subsidy payable is Rs. 50,000.

b. Refinance Scheme

IDBI extends refinance facilities to banks and state financial corporations for their credits to women entrepreneurs. It is 100% in case of SFCs, and 75% in case of commercial banks.

c. Mahila Udyam Nidhi (MUN)

The IDBI has set up a special fund called Mahila Udyam Nidhi with a corpus of Rs.5 crores in order to provide seed capital assistance to women entrepreneurs who proposed to set up projects in SSI sectors. The scheme is implemented by SIDBI. Women entrepreneurs who can start and manage an enterprise with a minimum

financial status of 51 percent of the equity are eligible for assistance under this scheme.

However the project cost excluding working capital should be less than Rs. 10 lakhs. Here the following norms are followed by SIDBI:

1. Debt equity ratio should be 3:1.
2. Seed capital assistance is provided in the form of soft loan up to a maximum of 15 percent of the fixed cost.
3. Minimum promoter's contribution is 10 percent of the fixed cost.
4. Service charge of 1 percent per annum is charged.
5. Repayment period is 10 years including an initial moratorium period of 5 years.
6. Seed capital assistance is provided without insisting on security.

d. Mahila Vikas Nidhi(MVN)

Mahila Vikas Nidhi extends assistance to the voluntary agencies that are engaged in extending to the entrepreneurs training in production methods, management and skill upgradation.

e. Indirect Loans

IDBI has introduced another scheme under which it grants indirect loans. It is called indirect loans because loans are granted through state finance corporations and state industrial development corporations. The scheme is now transferred to Small Industries Development Bank of India.

3. Scheme of Karnataka SFC

With a view to encourage women entrepreneurs to start enterprises, the corporation grants loans up to Rs. 60 lakhs for private and public limited companies, and up to Rs. 30 lakhs to proprietorship and partnership concerns. Interest rates are 12% for backward areas, and 13% for all places of Karnataka other than Bangalore metropolitan area, and North and South Taluks of Bangalore. In case of prompt repayment of principal and interest there is a rebate of 1% is allowed on interest. Repayment is to be made within a period of 8 years.

Karnataka Government provides 5% investment subsidy to the tiny and small scale units. Sales tax exemption is available for the women enterprises, up to 100% of the value of fixed assets for a period of seven years. In the allotment of scarce raw materials, Government gives the women entrepreneurs priority. They enjoy priority in the allotment of lands and shed also.

4. Scheme of IFCI

Industrial Finance Corporation of India grants interest subsidy up to Rs. 20,000 to industrial units set up by women entrepreneurs.

5. Rajasthan Financial Corporation of India

In order to promote enterprises by women entrepreneurs, Rajasthan Financial Corporation grants loans up to Rs. 10 lakhs. Contribution towards share capital by the

entrepreneurs is 10% of the project cost. It allows seed capital assistance up to 15% of the project cost.

6. SBI Stree Shakti Package

The SBI introduced Stree Shakti Package in the year 1989 with a view to develop women entrepreneurs. Under this scheme, EDPs are exclusively designed for women entrepreneurs, and are conducted. They are organised with the help of SBI staff training college and the local branches. The branch managers and the field officers of the banks would provide necessary support and assistance to women who want to set up enterprise.

In this scheme, financial assistance to the extent of Rs. 25,000 can be provided to the women entrepreneurs without keeping collateral security or guarantee. Further, a discount of half percent is allowed on the interest charged.

7. SIDBI's Assistance for Women entrepreneurs

The Small Industries Development Bank of India (SIDBI) has designed special schemes for providing financial assistance to women entrepreneurs. These schemes aim at the following objectives:

1. Providing training and extension services according to their small socio-economic status.
2. Providing financial assistance at concessional terms to help them in setting up tiny and small units.

These schemes are basically operated through State Financial Corporations (SFCs), and State Industrial Development Corporations (SIDCs) etc.

8. Bank of India's Priyadarshini Yojana

The scheme aims at providing financial assistance to the women entrepreneurs who come under the following categories:

1. Small business, e.g. beauty parlour, laundry, lending library, etc.
2. Retail traders, e.g. fair price shops, general stores, etc.
3. Road transport operators, e.g. auto rickshaws.
4. Allied agricultural activities.

In this case, the maximum loan amount is up to Rs. 2 lakhs for term loans, and up to Rs.1 lakh for working capital. The assets acquired with bank finance will need to be hypothecated to the banks as security. Repayment period is normally for a span of three to five years. The margin money to be departed by the promoter is usually 20 percent depending upon the type of activity.

UNIT – II

**ENTREPRENEURIAL MOTIVATION AND SYSTEMS
MOTIVATIONAL FACTORS
(OR)
FACTORS RESPONSIBLE FOR THE EMERGENCE OF
ENTREPRENEURSHIP**

1. Background Factors:

- **Education, Training and Experience:**

The type of education, training and experience an individual has undertaken affects his choice of setting up an enterprise.

- **Family Role Models and Association with Similar Type of Individuals:**

If an individual has a supportive family, role models and Association with Similar Type of Individuals add to their desire of setting-up a new venture.

- **Financial Conditions:**

Both adverse and supportive financial conditions can motivate an individual to set up a new venture.

2. Motivational Factors:

- **Need for Achievement:**

Need for achievement means the drive to achieve a goal. They have desire to do something better or more efficiently than it has been done before.

- **Personal Motives/Expectations:**

There have been found to be one of the crucial factors responsible for entrepreneurship amongst individuals. They consider themselves responsible for their own growth and development.

- **Business Environment:**

Supportive business environment like low level of competition, high profit margins, good economic conditions in the region, high demand-all go towards motivating an individual to set up a new venture.

3. Economic Factors:

- **Supportive Government Policies:**

From time to time the government keeps formulating policies and programmes like tax holidays to promote entrepreneurs in different fields.

- **Availability of Financial Assistance from Various Funding Bodies:**

Financial assistance from various funding bodies are available to an entrepreneur will facilitate for setting up the business ventures.

- **Ancillary Support:**

Ancillary support from suppliers, distributors, retailers and even bigger units can act as a great encouragement to the budding entrepreneurs.

- **Availability of Technical Factors like Premises, Electricity, Labour:**

The ease with which factors of production are available to the entrepreneur will facilitate for setting up the business ventures.

4. Reward:

- **Recognition:**

Since the success of the enterprise is associated with the efforts and success of the entrepreneur, he gets enough recognition to fuel his self-esteem.

- **Social status:**

Entrepreneurship ensures huge profit margins which a salaried employee cannot even think of. Hence, if the business runs successfully it automatically raises the social status of the individual.

The candidate will be assisted in getting marketing tie-up with user-industries, wherever possible.

David McClelland's Achievement Motivation Theory

The Achievement Motivation Theory has developed by David McClelland's. According to this theory an individual's need for achievement refers to the need for personal accomplishment.

The people with high need for achievement are characterized by the following:

1. They like to take personal responsibility for solving problem.
2. People with high achievement motivate like to take calculated risks and want to win.
3. High achievers are not motivated by money but instead employ money as method of keeping sure of their achievements.
4. They want to do something better than it has been done before others.
5. They look for challenging tasks.
6. Need for achievement stimulates the behaviour of a person to be an entrepreneur.

Some societies produce a larger percentage at people with high need achievement. Entrepreneurship becomes the link between need achievement and economic growth. McClelland considers the need for achievement to be most critical to a nation's economic development. High need for achievement motivates an entrepreneur to take risks, work hard, find new things, reinvest the savings in industry and so on.

McClelland found that achievement motivation was lower among people of underdeveloped countries than of developed nations. It is the lower level of ambitions that

explains the lack of enterprise in underdeveloped countries. Ambitions is the lever of all motives and aimless life is a goal-less game.

Thus ambition nourishes the achievement motivation and brings economic growth. The biggest obstacle to economic progress in countries like India is perhaps the limited ambitions of people.

The following psychological factors contribute to entrepreneurial motivation

1. Keen interest in situations involving moderate risk.
2. Desire for taking personal responsibility.
3. Need for achievement through self-study and determined the goal-setting.
4. Anticipation of future possibilities.
5. Organisational skills.

With the help of above factor, the achievement motivation can be higher among the people of underdeveloped countries.

ESTABLISHING ENTREPRENEURIAL SYSTEMS

In order to establish an entrepreneurial system, an entrepreneur needs to take the following steps:

1. Search for business ideas
2. Process the ideas
3. Select the best idea
4. Assemble the necessary input resources
5. Establish the enterprise

Search for Business Idea:

The task of promotion begins with the search for a suitable business idea or opportunity. The idea may originate from various sources e.g., success story of a friend or relative, demand for certain products, chances of producing a substitute for an imported article, visits to trade fairs and exhibitions, study of project profiles and industrial potential surveys, meetings with government agencies, etc. The idea may relate to the starting of a new business or to takeover of an existing enterprise. The idea should be sound and workable.

Sources of Ideas:

A business idea may be discovered from the following sources:

1. Observing Markets:

Careful observation of markets can reveal a business idea. Market surveys can also reveal the demand and supply position for various products. It is necessary to estimate future demand and to take into account anticipated changes in fashions, income levels, technology, etc. Competition and price trends can also be found through market surveys.

2. Prospective Consumers:

Consumer know best what he wants and the habits/tastes which are going to be popular in the near future. Contacts with prospective consumers can also the reveal the features that should be built into a product. The customer is the foundation of a business and it is he who keeps it going. Therefore, data on consumer needs and preferences must be collected.

3. Developments in other nations:

People in underdeveloped countries generally follow the fashion trends of developed countries. Therefore, an entrepreneur can discover good business ideas by keeping with developments in advanced nations. Sometimes, entrepreneurs visit foreign countries in search of ideas for new products/processes.

4. Study of project profiles:

Various Government and private agencies publish periodic profiles of various projects and industries. These profiles describe in detail the technical, financial and market requirements and prevailing position. A careful scrutiny of such project profiles is very helpful in choosing the line of business.

5. Government organisations:

Several Government organisations nowadays assist entrepreneurs in discovering and evaluating business ideas. Development banks, state industrial development/investment corporations, technical consultancy organisations, investment centres, export promotion councils, etc., provide advice and assistance in technical, financial, marketing and other areas of business.

6. Trade Fairs and Exhibitions:

National and international trade fairs are a very good source of business ideas. A visit to these fairs provides information about new products/machines. Negotiations for the purchase, production, collaboration, dealership etc., may also be made at these fairs.

Idea processing and selection:

1. Preliminary Evaluation and Testing of Ideas:

The following considerations are significant in the evaluation and testing of business ideas.

a. Technical feasibility:

It refers to the possibility of producing the product. Technical feasibility of an idea is judged in terms of availability of necessary technology, machinery and equipment, labour skills and raw materials. The advice and assistance of technical experts may be necessary to judge the technical feasibility of various business ideas.

b. Commercial viability:

A cost-benefit analysis is required to ascertain the profitability of the ideas. An elaborate study of market conditions and prevailing situation is made to assess the viability

and prospects of the proposed project. This is known as feasibility study of the project. A number of calculations have to be made about the likely demand, expected sales volume, selling price, cost of production, break-even point, etc.

2. Detailed Analysis:

After preliminary evaluation of the idea, the promising idea is subjected to a thorough analysis from all angles. Consultations with experts in various areas of the industry may be necessary to carry out the detailed analysis. After the evaluation of a business idea is completed, the findings are presented in the form of a report known as 'feasibility report' or 'project report'. This report helps in the final selection of project. It is also useful for procuring licenses, finance, etc. from governmental agencies.

3. Idea Selection:

Generally, the following considerations influence the selection of idea for a product or service:

- Products whose imports are banned or restricted by the Government
- Products which can be exported easily and profitably.
- Products whose demand exceeds their supply so that there exists ready demand.
- Products in which the entrepreneur has manufacturing and marketing experience.
- Parent ancillary relationships i.e., the product is to be manufactured for a parent company.
- Products which showed high profitability.
- Products which ensured specific advantages.
- Products for which incentives and subsidies are available.

4. Input Requirements:

Once the promoter is convinced of the feasibility and profitability of the project, he assembles the necessary resources to launch the enterprise. He has to choose partners/collaborators, collect the required finances and acquire land and buildings, plant and machinery, furniture and fixtures, patents, employees, etc., Decisions have to be made about the size, location, layout, etc., of the enterprise. The form of ownership organisation has to be selected.

UNIT – III

PROJECT IDENTIFICATION AND CLASSIFICATION

Meaning and Definition of Project:

Project is of crucial importance to an entrepreneur since the success or failure of an enterprise depends on the project. A project is nothing but an idea or plan that is intended to be carried out. In a businessman's language, it is a specific activity on which money is spent in the expectation of some returns.

A project necessarily involves allocation and consumption of resources on the one hand and generation of resources, goods or services on the other.

According to Harrison, a project management scholar a project can be defined as “a non-routine, non-repetitive, one-off undertaking normally with discrete time, financial and technical performance goals”.

Project Objectives:

Project objective is an important element in the project planning cycle. The essential requirements for project objectives are :

- Specific, not general
- Not overly complex
- Measurable, tangible and verifiable
- Realistic and attainable
- Established within resource bounds
- Consistent with resources available or anticipated
- Consistent with organisational plans, policies and procedures

The project objectives are aimed to complete the project on time, completion of the project within contemplated costs and the completion of the project at a profit to the company. Project objectives are divided into two categories, namely, 'retentive' objectives and 'acquisitive' objectives. Retentive objectives are concerned with the relation and preservation of resources like money, time, energy, equipment and skills. Acquisitive objectives, on the other hand, involve acquisition of resources or attaining states that the organisation or its managers do not have.

Project objectives are also economical and social in nature. The economical objectives of the project are in the form of profit-oriented. The social project objectives are service-oriented. The economical objectives are primarily concerned only with the primary financial costs and benefits of the project. The social project objectives are inconformity with social cost benefit aspects of individual projects.

Project Classification:

Projects have been classified differently by different authorities and in fact project classification helps in graphically expressing and highlighting the essential features of a project. Thus, the different authorities like the Planning Commission, All India Financial Institutions etc., have classified projects differently according to their need and in general, the project classification can be studied under the following heads:

1. Quantifiable and non-quantifiable projects
2. Sectoral projects
3. Techno-Economic projects
4. Financial Institution's projects

1. Quantifiable vs. Non-Quantifiable Projects :

Quantifiable projects are those, the benefits of which can be assessed in quantifiable terms. For instance, projects dealing with industrial development, power generation etc., come under this category. On the other hand, non-quantifiable projects are those projects where such a quantifiable assessment of benefits is not possible. Projects concerning with health, education, defence etc., are examples for non-quantifiable type.

2. Sectoral Projects

In India, the Planning Commission has adopted the sectoral basis for project classification so as to allocate the scarce resources at macro levels. Accordingly, a project may fall into any one of the following sectors:

- Agriculture and Allied Sector
- Irrigation and Power Sector
- Industry and Mining Sector
- Transport and Communication Sector
- Social Services Sector
- Miscellaneous Sector.

3. Techno-Economic Projects

Sometimes, projects can be classified on the basis of techno-economic factors like the size of investment, factor intensity etc. This classification is very useful in facilitating the process of feasibility appraisal. In fact, the United Nations Organisation and its specialized agencies use the International Standard Industrial Classification of all economic activities (ISIC) in collection and compilation of economic data regarding projects.

On the basis of Techno-economic factors, projects can be again classified into:

- a. Factor Intensity Oriented Classification
- b. Causation Oriented Classification

C. Magnitude Oriented Classification

a. Factor Intensity Oriented Classification:

Under this type, a project is classified on the basis of the factor intensity, viz., whether capital intensive or labour intensive. In the case of a project where large scale investment is made on plant and machinery, it is called capital-intensive project. Heavy investment on human resources makes it labour-intensive.

b. Causation Oriented Classification

The cause for starting a project forms the basis for classification of projects under this type. For instance, the availability of certain raw materials is the proximate cause for starting a project, the project is classified as raw materials based. On the other hand, the demand for goods and services forms the basis for starting a project, then it is classified as demand-based.

c. Magnitude Oriented Classification

Under this type, the size of the investment forms the basis of classification. Thus, projects may be classified into large-scale, medium-scale, small-scale etc., depending upon the quantum of project investment.

4. Financial Institution's projects

The various financial institutions established both at the Central and State levels have classified projects into profit-oriented projects and service-oriented projects. The profit-oriented projects can again be classified into:

- New Projects
- Expansion Projects or Development Projects
- Modernisation Projects or Technology Projects
- Diversification Projects

Similarly, the service-oriented projects can be classified as follows:

- Welfare Projects
- Service Projects
- Research and Development Projects
- Educational Projects.

Project Identification:

Project identification refers to the process of finding out the most appropriate project from among the several investment opportunities. According to **Vasant Desai**, "Project identification is concerned with the collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment".

In this context, it is worthwhile to remember **Peter F. Drucker** who has laid down three kinds of opportunities, viz.,

1. Additive opportunity
2. Complementary opportunity and
3. Breakthrough opportunity.

Additive opportunity enables an entrepreneur to utilise the existing resources without making any change. Complementary opportunity involves the introduction of new ideas and it results in a certain amount of change in the existing business structure. Breakthrough involves drastic and fundamental changes in the existing business. Therefore, risk is least in the case of additive opportunities, greater in complementary and greatest in breakthrough opportunities. A prospective entrepreneur should keep in mind the above opportunities in choosing a suitable project.

Project identification requires a careful identification of the characteristics of a project.

Every project has three dimensions, viz., inputs, outputs and social costs and benefits. The 'input' element comprises of what the project will consume in terms of raw material, man power, energy, organizational set-up etc., The 'output' component deals with the outcome of the project in the form of goods and services, revenue, employment potential etc. Apart from these inputs and outputs, every project has an impact on the society. Therefore, it is equally important to evaluate carefully the sacrifice which a society has to make and the benefits that may accrue to the society from the given project.

Desk Research and Techno-Economic Survey:

Desk research and techno-economic survey are two important techniques of project identification. Desk research implies the collection and use of information from published sources like journals, magazines, reports etc. Techno-Economic survey is an investigation conducted by a team of experts for identifying the industrial development potential of an area. Central and State Government agencies offers commission such surveys.

Data and product identification may be obtained from the following sources :

- Industrial potential surveys
- Lead bank survey reports
- New process/product development in research laboratories
 - Literature on Industries within the country and abroad
 - Import/Export statistics
 - Profitability studies of selected industries
 - Studies on price and shortage of certain commodities.

A distinction should be made here between demand based industries and resources based industries. Demand-based industries are those whose products and services are required

by the existing industries as raw materials and component parts. For example large projects like BHEL, Maruti Udyog, etc., require a large number of items.

In the selection of resource-based industries, the availability of the necessary inputs must be ensured. For example, a rice bran oil mill can be set up near rice mills, a poultry feed unit near oil mills, and so on. This will ensure the availability of necessary raw materials.

PROJECT CONSTRAINTS

There are two types of constraints. They are

1. Internal constraints
2. External constraints

1. Internal Constraints:

Internal constraints arise on account of the limitations of the management system which will eventually be responsible for the implementation of a project. These are narrated as under:

- Entrepreneurs, while implementing the projects, rely more on outside consultants for preparation of feasibility reports in the formulations of their projects. This is an important constraint in the early implementation of the project.
- For early implementation of projects within the budgeted cost and time schedule, all the entrepreneurs cannot develop independent project management. In such a situation, the entrepreneurs inherent internal constraints are developing well equipped project management strategies and tools while implementing them.
- Project management team is not much involved with the determination of project objectives. Certainly, this will be another internal constraint for the project team to achieve the unrealistic objective which is decided by the top management personnel of the business.
- The availability of the necessary internal project elements and resources are physical and non-physical resources. The physical resources include finance personnel, inventories and facilities. The non-physical resources are patents, secret processes, unique experience and skills. Both physical and non-physical resources are the important constraints for the entrepreneurs to make available at time when the project implementation is in progress.

2. External constraints:

The external constraints are also another important constraints for the entrepreneurs who venture into project implementation. These are described as under:

- The external environment factors like nature, size, location and the extent of project are the important limiting factors for the entrepreneurs when the project does not conform to the socio-economic objectives of the country.
- Government policies and regulations are another major hurdle for the entrepreneurs while implementing the projects. They are mainly in the form of delay in giving approval to the entrepreneurs in the medium of industries licensing, foreign collaboration approval, CCI clearance, environmental clearance, foreign exchange permit, capital goods approval and import goods clearance.
- Financial institutions banks are the important external financial source for the entrepreneurs while financing their projects. The financial institutions and commercial banks cumbersome procedures and documentation system are important external constraints for the entrepreneurs in the form of delay in financing the projects.

Project Life Cycle

Just like human beings, projects also do have a life cycle. A project has to necessarily pass through the following stages in its life cycle:

1. The Pre-investment stage
2. The Construction stage
3. The Normalisation stage

1. The Pre-Investment Stage

This is the first phase in the life cycle of a project. This stage is concerned with the setting up of aims and objectives, demand forecasting, selection of best means to achieve the objectives, evaluation of input characteristics, projection of financial plan, cost-benefit analysis and finally pre-investment appraisal.

2. The Construction Stage

This stage starts after the investment decision is taken either by promoters or financiers. During this stage, the investment proposal is developed into a tangible project so as to achieve the objectives already laid down. At this stage, resources are invested in building, the basic assets of the project so that, necessary infrastructure may be developed for the project. The assets may be in the forms of land and building, plant and machinery, transport and communication, sales and marketing, acquisition of materials and supplies, devising of appropriate control systems, management of personnel etc.

3. The Normalisation Stage

The main objective of this stage is to produce goods and services (outputs) for which the project was established. In other words, during this stage, the assets created in the second stage are utilized to produce goods or services and thus, the project starts operating by processing inputs and generating outputs.

UNIT - IV

PROMOTING AND STARTING AN INDUSTRIAL UNIT

Nature and Types of Promoters

Promoters of a company:

A Promoter conceives an idea for setting-up a particular business at a given place and performs various formalities required for starting a company. A promoter may be an individual, firm, association of persons or a company. The persons who assist the promoter in completing various legal formalities are professional people like counsels, soliders, accountants, etc., and not promoters.

Definition:

Following definitions of a promoter clarify his status and role:

“A promoter is the one, who undertakes to form a company with references to a given object and sets it going and takes the necessary steps to accomplish that purposes.”-**Justice C.J. Cokbum.**

“A promoter is the person conscious of the possibility of transforming an idea into a business capable of yielding a profit; who brings together various persons concerned and who finally, superintendents the various steps necessary to bring the new business into existence.”
– **Arthur Dewing**

Characteristics or Nature of a Promoter:

The above given definitions bring out the following characteristics or features of a promoter:

- A promoter conceives an idea for the setting-up a business.
- He makes preliminary investigations and ensures about the future prospects of the business.
- He brings together various persons who agree to associate with the him and share the business responsibilities.
- He prepares various documents and gets the company incorporated.
- He raises the required finances and gets the company going.

Kinds of Promoters:

1. Professional Promoters :

These are the persons who specialise in promotion of companies. They hand over the companies to shareholders when the business starts. In India, there us lack of professional promoters. In many other countries, professional promoters have played an important role and helped the business community to a great extent. In England, issue Houses; In U.S.A.,

Investment Banks and in Germany, Joint Stock Banks have played the role of promoters very appreciably.

2. Occasional Promoters :

These promoters take interest in floating some companies. They are not in promotion work on a regular basis but take up the promotion of some company and then go to their either profession. For instance, engineers, lawyers, etc., may float some companies.

3. Financial Promoters :

Some financial institutions of financiers may take up the promotion of a company. They generally take up this work when financial environment is favourable at the time.

4. Managing Agents as Promoters :

In India, Managing Agents played an important role in promoting new companies. These persons used to float new companies and then got their Managing Agency rights. Managing Agency system has since long been abolished in India.

5. Entrepreneurs :

Entrepreneurs are also known as promoters. This type of promoters are found in India in large numbers. This type of promoters conceive the plans for a new enterprise and also take responsibility for its incorporation and management of the company.

6. Lawyers, Engineers and Manufacturers:

Sometimes, Lawyers, Engineers and Manufactures are also interested to promote a company. They may also be included in the term promoters.

Steps To Start A Small Scale Industry:

This chapter would deal with the various steps to be taken by entrepreneurs to start a small industrial unit and also explain the procedures for obtaining different approvals and sanctions.

Steps to be taken:

1. Selection of the product:

An entrepreneur may select a product according to his own capacity and motivation. The economic viability of product should cover the following demand aspects:

- Volume of existing demand in the domestic market
- Volume of existing demand in the export market
- Volume of aggregate existing demand in all markets
- Volume of potential demand
- The degree of import substitution
- Degree of substitution of an existing product

- The volume of demand by big units for ancillary products

2. Selection of Form of Ownership:

The most commonly chosen forms of ownership for SSI are,

- Sole proprietorship
- Family ownership
- Partnership and
- Private Limited Company

The first two forms are mostly preferred for having unified control over the unit. The next two forms highly facilitate the pooling of financial resources, managerial and technical skills, and business experience.

3. Selection of Site:

The third important step is choosing of a suitable plot for factory or shed. While selecting a site, an entrepreneur is to take into consideration the following factors:

- The site is situated in one's native place.
- The site enjoys most or all incentives provided by the Government.
- The site is near a market.
- The site is near the source of labour supply and raw material.
- The site has modern infrastructural facilities.

4. Designing Capital Structure:

The initial capital of a new venture comes from the following sources:

- Own Capital
- long term loans from friends and relatives and
- term loans from banks and financial institutions. Banks play an important role in providing working capital finance.

5. Acquisition of Manufacturing know-how:

Many institutions like government research laboratories, research and development divisions of industries and also individual consultants provide the manufacturing know-how.

6. Preparation of Project Report:

The project report being compiled by the entrepreneur should accomplish the purpose of providing a "Birds-eye-view" of the entire spectrum of activity.

a. Technical feasibility:

Technical feasibility would encompass factors such as description of the product specification to be adopted, raw materials available as per requirements, quality control measures, power supply, availability of water, transport facilities and communication network.

b. Economic viability:

It essentially involves compilation of demands for domestic and export markets, most appropriate installed capacity requirements, capturing a

substantial share of market sale, revenue expected, suitable price structure and so on.

c. Financial implications:

Project costs covering “Non-recurring expenses” such as land and buildings, plant and machinery, equipments, pre-operative expenses and so on and “Recurring Expenses” such as working capital needs, raw material needs, wages for personal and so on will have to be worked out in detail.

d. Managerial competency:

The new entrepreneur manager entering the small scale sector should devote his full attention to the new venture and should consider the product line chosen as a “Major Economic Activity”.

e. Registration as SSI:

- **Temporary registration certificate :**

He would be initially issued a provisional (temporary) SSI Registration Certificate. It is usually provided for a period of one year, and subsequently renewed for two periods of 6 months each.

- **Permanent Registration Certificate:**

An industrial unit which has commenced production or is found to be in readiness to go into production is eligible to get the permanent registration certificate.

7. Power Connection:

To get power connection, the New Entrepreneur has to make an application to the Assistant Divisional Engineer, Tamil Nadu Electricity Board, the LOAD APPLICABLE for the new unit would be decided. The New Entrepreneur may have to pay security deposit amounting to three months power connection.

8. Arrangement of Finance:

The funding requirements of a project are of

- Long term requirements for acquiring fixed assets like land and building, plant and machinery and for security deposits.
- Short term loans for working capital in the form of key loan/cash credit/Bill discounting, etc.

Meaning and Definition of Incentives and Subsidy:

The term “incentive” is a general one and includes concessions, subsidies and bounties. ‘Subsidy’ denotes a single lump sum which is given by a government to an industry. It is granted to an industry which is considered essential in the national interest. The term ‘bounty’ denotes bonus or financial aid which is given by a government to an industry to help it compete with other units in a nation or in a foreign market. It is given in proportion to

its output. Bounty confers benefits on a particular industry, while a subsidy is given in the interest of the nation.

These subsidies and incentives offer the following advantages:

- They act as a motivational force which makes the prospective entrepreneurs to enter into manufacturing line.
- They encourage the entrepreneurs to start industries in backward areas.
- By providing subsidies and incentives the Government can
 - Bring industrial development uniformly in all regions
 - Develop more new entrepreneurs which leads to entrepreneurial development
 - Increase the ability of entrepreneurs to face competition successfully
 - Reduce the overall problems of small scale entrepreneurs.

Need For Incentives:

A) To remove regional disparities in development:

While developed regions in a country are overcrowded with industrial and business activities the backward areas remain ignored for want of facilities for industrial development. Incentives are used to remove regional disparities in development. In the long run the backward areas become developed and regional imbalances are corrected.

B) To promote entrepreneurship and strengthen the entrepreneurial base in the economy:

The new entrepreneurs may face a number of problems on account of inadequate infrastructure facilities and other supporting services such as market assistance, technical training and consultancy and other institutional services. etc. All these problems may demotivate them. Industrial estates, growth centres, power tariff concessions, capital investment subsidies, transport subsidy, etc., are a few examples of incentives and subsidies which are aimed at encouraging entrepreneurs to take up new ventures without much reluctance.

C) To provide competitive strength, survival and growth:

While some incentives are available at the time of promotion of industrial units, several other incentives are made available over a long period. Reservations of products to small units, price preferences, concessional finance, etc., contribute towards the competitive strength, survival and growth of certain industrial units.

D) To generate more employment and remove under-employment and unemployment:

The proper use of incentives and subsidies will generate more employment by accelerating the industrial growth. This will create more number of jobs which will help to reduce the problems of unemployment and under-employment.

Incentives and Subsidies Available:

The following are the incentives or subsidies offered by the Government of Tamil Nadu:

1. Most Backward Area Capital Subsidy :

This investment subsidy is given for all new industrial units set up in 71 most backward blocks and SIPCOT industrial complexes at Pudukottai, Manamadurai and Tuticorin. The subsidy is given at 20 % of fixed assets subject to a maximum of Rs.20.00 lakh.

2. Backward Area Capital Subsidy :

This investment subsidy is given at the rate of 15% on fixed assets subject to a ceiling of Rs.15.00 lakh for new industries set up in 216 backward blocks in all other industrial estates and complexes developed by the Government Agencies including Madras Export Processing Zone.

3. Special Capital Subsidy for Thrust industries :

- a. An investment subsidy of 20% of fixed assets subject to a maximum of Rs.20.00 lakh is granted to the following industries located anywhere in Tamil Nadu.
 - i. Electronics
 - ii. Leather.
- b. Small scale units in the following thrust industry are eligible for a capital subsidy at a rate of 20% of fixed assets subject to a maximum of Rs.15.00 lakhs irrespective of the location.
 - i. Automobile spare parts
 - ii. Drugs and pharmaceuticals
 - iii. Pollution control equipment
 - iv. Export oriented jewellery making and diamond processing units
 - v. Food processing industries
 - vi. Sports goods and accessories
 - vii. Solar energy and non-conventional energy devices
 - viii. Jute industries in specified area.

4. Additional Subsidy for Employment of Women Workers :

New industrial units which employ more than 50% of women in workforce are eligible for an additional subsidy of 5% upto a ceiling of Rs.5.00 lakh.

5. Generator Subsidy :

In order to encourage units to have reliable power supply, subsidy for installation of new generators for captive use to the extent of 15% of the cost upto a maximum of Rs.5.00 lakh is given to small scale units.

6. Special Effluent Treatment Plant Subsidy:

A special subsidy of 10% of the value of assets created towards setting up of effluent treatment plant with a ceiling of Rs.2.00 lakh is made available for installation of effluent treatment plant by existing tanners.

7. Subsidy for Modernisation and Quality Improvement :

A capital subsidy of 12% for investment in modernisation and upgradation of technology in selected sectors is provided by the Central Government. To encourage total Quality Management Rs.75,000 is granted to each unit and it will continue till the end of 10th Plan.

8. Subsidy for Water Royalties :

For new industries set up in backward areas water royalty is fixed at Rs.360 p.a. for drawing any quantity of water in the first six years. This subsidy is available in the following areas: Tiruchy, Madurai, Ramanathapuram, Dharmapuri, South Arcot, North Arcot, Thanjavur, Kanyakumari, Maraimalai Nagar and Kunnathur.

9. Exemption from Stamp Duty :

Exemption from paying stamp duty is given for plots acquired in the growth centres located at Hosur, Ranipet, Pudukottai, Cuddalore, Gummidipoondi and Manamadurai.

The subsidies are subject to modification by the government from time to time. The subsidies listed above are not available at present in Tamil Nadu. In its place a new scheme called ANNA MARUMALARCHI THITTAM has been introduced. According to this scheme a subsidy of 15% subject to ceiling of Rs.15 lakhs is granted to investment in plant and machinery only.

**VARIOUS INCENTIVES OFFERED BY THE CENTRAL
GOVERNMENTS TO SSIs:**

We shall now discuss about the various important incentives and subsidies available to the small scale industrial units.

1. Capital Investment Subsidy(CIS).
2. Transport Subsidy.
3. Sales Tax Exemptions.
4. Provision of Seed Capital.
5. Provision of Concessional Power and Water.
6. Purchase of Raw Materials.
7. Allotment of Industrial Sheds.
8. Export of Incentives and Subsidies.
9. Subsidy for Power Generators.
10. Special Incentives to Women Entrepreneurs.
11. Exemption from Stamp Duty.
12. Subsidising the Cost of Market Studies/Feasibility Studies/Reports.
13. Special concessions to Scheduled Caste and Scheduled Tribe Entrepreneurs.
14. Preferential Purchases from SSI Sector.
15. Interest Free Sales Tax Loans(IFST).

1. Capital Investment Subsidy Scheme

Under this scheme, a subsidy will be granted on the capital investment. A grant of 10% of the capital invested in industrial units is available in the areas notified by the Central and State Governments. Under this scheme, the Government has notified 300 districts in the country as backward. They have classified the backward areas into 3 categories. In the category 'A', 25 per cent of the investment subject to a ceiling of Rs.25lakhs, in category 'B', 15per cent subject to a ceiling of Rs.15lakhs, and in category 'C', 10per cent subject to a ceiling of Rs.10lakhs, are offered as subsidy.

2. Transport Subsidy Scheme

With a view to promote small scale industries in India, the government has granted transport subsidy to the units for transporting raw materials and finished goods to and from the units in the hilly areas. This scheme is operated in the states like Jammu and Kashmir, Assam, Nagaland, Meghalaya, Manipur, and Tripura, Arunachal Pradesh and Mizoram.

3. Sales Tax Exemptions



New small scale units located in places outside some **Syllabus** specified distance from the cities, are eligible to get sales tax concessions and exemptions. Interest Free Sales Tax Loan is given for the first five years of commencement of production, which is recoverable in 3 equal annual instalments from 6th year onwards.

4. Provision of Seed Capital

The Government offers initial capital known as Seed Capital or Risk Capital for the purpose of starting industries. In deserving cases, the financial institutions provide a sum towards marginal money to obtain loan. The initial capital helps the poor but deserving entrepreneurs to enter into business and industry.

5. Provision of Concessional Power and Water

New units started in the notified backward areas are eligible to get power as well as water at concessional rates in order to have uninterrupted production.

6. Purchase of Raw Materials

Scarce raw materials like iron and steel, coke, match wax, potassium chloride, caustic soda, fatty acids etc., are produced and supplied to SSI units. In our state, the Small Industries Development Corporation (SIDCO)procures the key raw materials from the main producers and supplies them to the needy entrepreneurs.

7. Allotment of Industrial Sheds

Work shed is the basic infrastructure required for an industry. The Government allots work sheds to the entrepreneurs. At present, in Tamil Nadu, there are mainly two agencies offering this facility to the entrepreneurs.

They are,

1. Director of Industry and Commerce.
2. Small Industries Development Corporation(SIDCO)

8. Export Incentives and Subsidies

With a view to boost the export market and earn foreign exchange, the Government has granted subsidies to the units exporting goods. Besides, government had flamed several schemes to grant incentives and other benefits both under direct and indirect taxes.

9. Subsidy for Power Generators

In many states, the industrial units suffer from power shortages, power shedding and fluctuation problems. Hence, the government is giving loans to purchase “**Generators**” to solve the power problems. The entrepreneurs can obtain this subsidy on easy terms and install a generator in their units.

10. Special Incentives to Women Entrepreneurs

Having realised the significance of the role to be played by women in the country’s development, special incentives are offered to women entrepreneurs who would like to join in the manufacturing line. The Government is giving immediate finance and arranges for other facilities. Government agencies as well as private voluntary agencies also do provide various assistances including vocational training to women.

11. Exemption from Stamp Duty

Tamil Nadu Government has declared G.O. by which the entrepreneurs need not pay stamp duty for the registration of plots allotted to them by the State-owned financial institutions. For instance, in Tamil Nadu, State Industries Promotion Corporation of Tamil Nadu (SIPCOT) had allotted plots to the entrepreneurs in places like Hosur, Ranipet, Cuddalore, Pudukottai, Gunmidipoondi and Manamadurai.

12. Subsidising the Cost of Market Studies/Feasibility Studies/Report

In order to encourage the small scale entrepreneurs the State-owned technical consultancy organisation known as ITCOT provides a subsidy scheme, under which the charges for preparing project report, pre-investment study, market surveys undertaken by the organisation, are subsidised to the extent of nearly 80% of the total cost of the assignment or Rs.5,000 whichever is less, and the balance amount has to be given by the entrepreneurs.

13. Special Concessions to Scheduled Caste and Scheduled Tribe Entrepreneurs

The Industrial Finance Corporation of India offers subsidy to physically handicapped entrepreneurs as well as SC/ST entrepreneurs to prepare project report, pre-investment study and market surveys. The subsidy will be 100% of the total cost of the consultancy services offered to them.

Likewise, SC/ST entrepreneurs need not pay 25% of the margin money requirements. They have to pay just 10% as margin money for availing the financial assistance. There is also reduction in the rate of interest to the extent of 1.5% provided the units are started in the notified backward areas.

14. Preferential Purchase from SSI Units

The Government of India had reserved more than 900 items for the exclusive production of SSI units in accordance with Industrial Policy Resolutions. In the interest of growth of small scale units, Government departments make preferential purchases from this sector. The SSI units are also given price preference up to a maximum of 15% in the case of items purchased from both small and large scale units.

15. Interest Free Sales Tax Loans (IFST)

This scheme is available to the small scale units that are situated outside the cities like Chennai, Madurai, Coimbatore, Salem and Trichy. Under this scheme, all new small scale units, which are having location in places outside 15 K.m. away from Chennai city and those outside 8 K.m. belt areas away from Coimbatore, Madurai, Salem and Trichy in Tamil Nadu, are eligible for assistance. The assistance shall not exceed 20% of the fixed assets or Rs.20lakhs whichever is less. The entire loan is interest free and recoverable in three equal annual instalments from the 6th, 7th and 8th year.

UNIT – V

INSTITUTIONS FOR ENTREPRENEURIAL DEVELOPMENT

District Industries Centre (DIC):

The establishment of District Industries Centre in 1978 was a landmark in the development of small and cottage industries in India. The Industrial Policy Resolution, 1977 proposed the setting up of District Industries Centre in the headquarters of each district in India. DIC was set up to provide under single roof all the services and support required by small and village entrepreneurs. The entrepreneurs who had to go to different agencies before that for assistance, finance, training, technical advice etc. would now be provided with all these services in one place. At present there are 422 DICs operating in 431 districts of our country.

Structure of DICs:

DICs consist of:-

- One General Manager
- Four Functional Managers:
 - 1) Economic and Investigation
 - 2) Credit
 - 3) Village Industries
 - 4) Raw material/Marketing/Training.
- Three Project Managers:

To provide technical services in the area relevant to the needs of the districts concerned.

Functions of District Industries Centre:

1. Motivation Campaign :

District Industries Centres conducts motivation campaigns throughout the districts to motivate and identify the potential entrepreneurs.

2. Surveys:

DIC conducts surveys to assess industrial potential in the district keeping in view the availability of raw materials, human skills, infrastructure, demand etc. It prepares techno-economic studies, identifies product lines and works out cost estimates. On the basis of such investigation it provides investment advice to entrepreneurs.

3. Action Plans:

For the industrial development of the district, Action plans are prepared by the DIC. These plans are co-ordinated with the District Credit Plans of the Lead Bank.

4. Registration:

DIC provides provisional and permanent registration to the new entrepreneurs.

5. Help to Obtain Credit:

DIC recommends loan applications to banks and financial institutions and helps to obtain credit. It keeps liaison with banks and financial institutions and monitor flow of credit to industries in the district.

6. Guidance:

It provides guidance and assistance to entrepreneurs in identifying appropriate machinery and equipment, ascertaining the sources of supply for machinery and also importing machinery. It also ascertains raw material requirements and their sources, arranges bulk purchase of raw materials and interact with various authorities for the supply of scarce and critical raw material.

7. Recommending Application to Various Organisation:

It helps the entrepreneurs to get power connection by pursuing with Electricity Board. Recommends applications for power tariff concessions and subsidies.

8. Marketing Assistance:

DIC collects marketing information, organises marketing outlets, keeps liaison with government procurement agencies, assesses the possibilities of export and ancillarisation and suggests appropriate marketing strategies to entrepreneurs.

9. Training:

DIC conducts training programme for artisans and identifies opportunities and projects for the trainees.

10. Entrepreneur Development Programme:

DICs conduct EDPs in association with SISI and various TCOs to develop entrepreneurial skills in the young entrepreneurs.

11. Fairs and Exhibitions:

The DICs encourage the SSI units to participate in the International Trade Fairs by providing free space for display of their products.

In addition to the above, the government has set up the following institutions to give training and consultancy services like technical consultancy, tool room service, business management courses, training to technical personnel and assistance in design and development.

State Small Industries Corporation (SSIC):

Many State Governments have set up Small Industries Corporations in order to undertake a number of commercial activities. The most important of these activities are distribution of scarce raw materials, supply of machinery on hire-purchase basis, constitution and management of industrial estates, procurement of orders from Government Departments, assistance in export marketing and in certain cases provision of financial, technical and managerial assistance to small enterprises. It provides the following facilities to small scale units:

1. Provision of constructed sheds/plots in industrial estates. These are sold to entrepreneurs on hire-purchase basis or given on rental basis.
2. Assistance in procuring some scarce key raw materials like iron and steel, paraffin wax, potassium chlorate, fatty acids, etc., through its various distribution centres.
3. Financial assistance in the form of subsidies to industrial units in backward areas like Central Investment Subsidy, State Capital Subsidy. Interest-free Sales Tax Loans, Power Tariff Subsidy and Margin Money Assistance for the rehabilitation of the sick small-scale industries.
4. Marketing assistance to small entrepreneurs.

SMALL INDUSTRIES DEVELOPMENT ORGANISATION (SIDO)

SIDO is a policy-making coordinating and monitoring agency for the development of small scale entrepreneurs. It maintains a close liaison with government, financial institutions and other agencies which are involved in the promotion and development of small scale units. It provides a comprehensive range of consultancy services and technical, managerial, economic and marketing assistance to SSI units. It has a network of 25 small Industries Service Institutes, 20 branch SISIs, 41 Extension Centres, four Regional Testing Centres, one Product and Process Development Centre, three Footwear Training Centres and five Production Centres.

Functions:

The main functions of the SIDO are coordination, industrial development and industrial extension service. Some important functions are:

1. To assess the requirements of indigenous and imported raw materials and components for the small-scale sector and to arrange their supplies
2. To collect data on consumer items which are imported and encourage the setting up of new units by giving them coordinated assistance.
3. To prepare model schemes, project reports and other technical literature for prospective entrepreneurs.

4. To assist and advise the Controller of Capital Issues in regard to the issue of import licences and the imposition of import restrictions on various products whose manufacture has already been undertaken indigenously by the existing or new units
5. To secure reservation of certain products for the SSIs.
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10. To secure reservation of certain products for the SSIs.

Industrial and Technical Consultancy Organisation of Tamil Nadu (ITCOT)

ITCOT was incorporated in 1979 as a joint venture of leading financial institutions. State Development Corporations and Commercial banks to provide consultancy service to industry and service sectors.

The promoters of ITCOT are IDBI, ICICI, IFC, SIPCOT, THC, SIDCO and commercial banks, viz., SBI, Bank of Baroda, Canara Bank, UBI, Central Bank of India, IOB, Indian Bank, The Lakshmi Vilas Bank and The Karur Vysya Bank.

ITCOT offers a wide range of consultancy services.

1. Core Consultancy Services

Pre-Investment Studies

- Project Identification
- Preparation of Project Profile
- Techno Economic Feasibility Studies
- Market Surveys
- Preparation of Project Reports

Escort Services

- Assistance in obtaining government approval
- Loan Syndication
- Project Appraisals
- Asset valuation
- Stock Audit
- Sick Unit Rehabilitation Studies

- Industry Specific Studies and Special Studies

2. Energy Consultation Services

Renewable Energy

- Market Surveys
- Techno Economic Feasibility Studies
- Design Supervision
- Project Monitoring
- Selection of Project Site

Environment

- Environmental Audit
- Environment Impact Assessment
- Techno Economic Feasibility Reports
- Energy Audit
- Energy Conservation Studies

3. IT Consultancy

- Identification of IT activities having export market
- Setting up of export oriented IT project
- Exploring strategic alliance possibilities abroad
- Computer Training

The above consultancy services are available to small and medium enterprises, corporate, individual entrepreneurs, public sector undertakings, co-operatives, BGOs, governments and industry/trade associations.

ITCOT also has conducted training programmes to business people, executives and development agencies on topics such as Non Performing Assets, Project Financing and Appraisal, opportunities in Insurance Industry and in Herbal Industry and Entrepreneurship Development.

During the past two decades, it has undertaken over 3000 assignment of varying nature, topic and scope. Besides, ITCOT has brought out industry specific publications and opportunity study reports with the objective of providing informational input to enable enterprises and entrepreneurs to take appropriate investment decision.

NATIONAL ALLIANCE OF YOUNG ENTREPRENEURSHIP (NAYE)

National Alliance of Young Entrepreneurs (NAYE) sponsored on Entrepreneurial Development Scheme with Bank of India in August 1972 on pilot basis. This scheme, known as BINEDS, is operative in the States of Punjab, Rajasthan, Himachal Pradesh, Jammu and Kashmir and Union Territories of Chandigarh and Delhi. NAYE entered into similar arrangements with a few other banks as are described below:

1. Dena Bank... NAYE: For promoting ancillary units and small-scale enterprises in Chennai.
2. Punjab National Bank... NAYE: Entrepreneurship Assistance Programme launched in the States of West Bengal and Bihar in March 1973.
3. Central Bank of India... NAYE: Entrepreneurship Development Programme being implemented in Maharashtra.
4. Union Bank of India... NAYE: Entrepreneurship Development Programme inaugurated in June 1975 in Tamil Nadu with an intention to adopt 200 entrepreneurs.

The main objective of the scheme is to help young entrepreneurs in identifying investment and self-employment opportunities; securing proper arrangements for their training including development of their manufacturing capabilities, providing necessary financial assistance on the basis of properly prepared reports, securing package of consultancy services on appropriate terms and arranging for all possible assistance, facilities and incentives being extended to young entrepreneurs by Government and other institutions.

Financial assistance, which is granted by the commercial banks is generally restricted to Rs.2 lakhs in the case of individual entrepreneurs and Rs.3 lakhs for two or more entrepreneurs and is worked out on 'need basis'. The term loans (for acquisition of land, building, plant and machinery) are repayable out of cash generation of the unit. Suitable repayment holiday concessions for repayment of principal and interest are provided during the gestation period. The extent of entrepreneur's own investment is decided on the basis of resources available at his family's disposal and in deserving cases full cost of the project is financed by the bank.

COMMERCIAL BANKS

In the past three decades, commercial banks have evolved a number of schemes tailored to the specific needs of small scale industry. The salient features of the schemes are detailed here.

1. Liberalised Scheme:

Under the liberalised scheme, the State Bank of India for the first time, introduced the concept of need based approach to financing small scale industries. The bank extended financial assistance for any viable scheme. All financial requirements of the unit for acquisition of fixed assets and working capital is met comprehensively. The scheme made a departure from the security oriented approach. No viable unit was denied financial assistance for want of security.

2. Entrepreneur Scheme:

This scheme was introduced for financing technically qualified/skilled entrepreneurs. Under this scheme 100% finance was provided to entrepreneurs without insisting on any minimum equity contribution. This scheme was specially designed for engineering degree and diploma holders and also individuals technically

skilled through experience, but unable to bring in their own capital though they have a viable project.

3. Equity Fund Scheme:

The entrepreneurs who are unable to bring in required equity capital are assisted under the Equity Fund Scheme. The banks provide interest free loan under the scheme upto Rs.1,00,000 repayable after five to seven years.

The repayment is to be made after seven years through monthly/quarterly/half yearly installments. The moratorium and repayment periods are stipulated within this framework depending upon the complexity of the project and its cash generating capacity.

Besides, banks introduced special schemes of financing artisans, craftsmen and village industries. At present, these schemes have undergone many changes.

RBI appointed a one-man High Level Committee headed by S.L. Kapoor to suggest measures for further improving the delivery system and simplification of procedure for credit to SSI sector. RBI has accepted 35 recommendations of the Committee. Some of the recommendations are the following:

- Simplification of application forms.
- Delegation of more powers to grant adhoc funds to meet temporary requirements.
- Freedom to banks to decide their own norms for credit requirements.
- Opening of specialised branches by banks.
- Enhancement in the limit for composite loan to Rs.5 lakhs.

New Entrepreneurial Development Agency (NEDA), 1986

The New Entrepreneurial Development Agency has been created in order to assist educated unemployed graduates to set up SISI units in urban and metropolitan areas. The Agency will choose candidates only from among those sponsored by Government Institutions and Agencies like SISI, DICs, University Employment Guidance Bureau, etc.

The selected candidates will be assisted in selecting the projects suitable to their aptitude and background. The candidates on identifying the projects will undergo an Entrepreneurial Development Programme to be conducted by Agencies like SISI, ITCOT, etc. Practical training will also be arranged in industries, wherever possible.

Projects with credit requirement upto Rs.5 lakhs are only eligible for finance under the scheme. Hundred per cent finance will be provided in the beginning and the margin will be built upto 20 per cent over a period of time depending on the profitability of envisaged project.

The maximum amount of loan will be Rs.5 lakh and the repayment of term loans will be based on the profitability projection and within seven years. The interest rate for medium term loan is 13.5 per cent p.a. and for working capital 14 per cent p.a. upto Rs.2 lakhs and 15.5 per cent p.a. above Rs.2 lakhs upto Rs.5 lakhs.

The candidate will be assisted in getting marketing tie-up with user-industries, wherever possible. Their units will have to be registered as small scale industries with Directorate of Industries and commerce, or the DICs as the case may be.

DIRECTORATE OF INDUSTRIES

The small-scale industries are a State subject and, therefore, the development and implementation of the schemes of assistance to SSIs is the primary responsibility of the State Government. Directorates of Industries in each State do the work relating to the development of industries in general and small-scale industries in particular. Each directorate is staffed with administration and technical officers at State headquarters and by a District Industries Officer with supporting staff in each district. The State Directorates run various training schemes, production schemes and common facilities schemes. They also provide facilities of developed industrial land and factory sheds in industrial estates, allocate quotas of scarce raw materials, certify import requirements and organise industrial co-operatives. Their functions are varied and have grown with the development and diversification of the small-scale sector.

INDIAN INVESTMENT CENTRE (IIC)

The IIC is an autonomous, non-profit service organisation financed and supported by the Government of India. It is concerned with the important task of promoting mutually rewarding joint ventures between India and foreign entrepreneurs.

The centre acts as a clearing house for information on economic conditions, laws, procedures, government regulations and specific opportunities for investment in India. It offers objective advice on investment conditions in the light of industrial priorities and policies of the Government of India, and on locating suitable Indian partners or prospective foreign investors. It functions as a link between Indian and foreign parties and assists them in coming together for fruitful collaborations and formulating the terms of joint venture participation. Its services are tailored to the needs of industrial corporations and furnished on entirely confidential basis.

The centre functions as a close link between the Government of India and foreign business enterprises. It brings the problems and reactions of entrepreneurs to the notice of the Government in an informal manner and explains to prospective investors the rationale of Government policies and procedures.