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# ENTREPRENEURSHIP DEVELOPMENT

## **Module-1: Introduction**

Concept of Entrepreneurship and Intrapreneurship; Characteristic of Entrepreneurship; Types of Entrepreneurship; and the Role of Entrepreneurship in Economic Development.

## **Module-2: Entrepreneur and Entrepreneurship**

Meaning and Definitions, Entrepreneur Vs Entrepreneurship. Manager Vs Entrepreneurship; Strategies for Development of Rural Entrepreneurship

## **Module-3: Theories of Entrepreneurship**

Rural Entrepreneurship; Definition; Risks Faced by Rural Entrepreneurship; Strategies for Development of Rural Entrepreneurship.

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Concept: Problems of Woman Entrepreneurship; Development of Woman Entrepreneurship; The Role of Woman Entrepreneurship Associations.

## **Module-5: Conceptual Models of Entrepreneurship Development**

Models of John Kao, Udai Pareek and Nadkarni. National Institute for Small Industry Extension and Training (NISIET).

## **Module-6: Entrepreneurial Development Programmes**

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**Module-7: Project Identification** and Formulation Elements of Project Formulation: Feasibility Report

## **Module-8: Institutional Support System for Entrepreneurship**

Institutions for Entrepreneurial Development; DICs, SISIs, NISIET, EDII, NIESBU, TCOs, and a Broad Overview of Central and State Level Financing Institution.

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# **MODULE-1**

## **INTRODUCTION**

According to George Bernard Shaw, people fall into three categories:

- (1) Those who make things happen.
- (2) Those who watch things happen, and
- (3) Those who are left to ask what did happen.

Generally, entrepreneurs fall under the first category.

### **MEANING AND DEFINITION OF ENTREPRENEUR**

An entrepreneur is ordinarily called a businessman. He is a person who combines capital and labour for the purpose of production. He organizes and manages a business unit assuming the risk for profit. He is the artist of the business world.

In the words of J.B. Say, “An entrepreneur is one who brings together the factors of production and combines them into a product”. He made a clear distinction between a capitalist and an entrepreneur. Capitalist is only a financier. Entrepreneur is the coordinator and organizer of a business enterprise.

Joseph A Schumpeter defines an entrepreneur as “ one who innovates, raises money, assembles inputs and sets the organization going with the ability to identify them and opportunities, which others are not able to fulfil such economic opportunities”. He further said, “An entrepreneur is an innovator playing the role of a dynamic businessman adding material growth to economic development”.

### **DEFINITION OF ENTREPRENEURSHIP**

In the words of Stevenson and others, “Entrepreneurship is the process of creating value by bringing together a unique package of resources to exploit an opportunity.”

According to A.H. Cole, “Entrepreneurship is the purposeful activities of an individual or a group of associated individuals undertaken to initiate, maintain or organize a profit oriented business unit for the production or distribution of economic goods and services”.

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All activities undertaken by an entrepreneur to bring a business unit into existence are collectively known as entrepreneurship. It is the process of changing ideas into commercial opportunities and creating values. In short, entrepreneurship is the process of creating a business enterprise.

## CHARACTERISTICS OF ENTREPRENEUR

- 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
- 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
- 3. Prudence:** A successful entrepreneur must be prudent in all his dealing. He should have the ability to work out the details of the venture from all angles. Assess the favourable factor
- 4. Achievement motivation:** The achievement motivation is the most important characteristic of an entrepreneur since all other characteristic emanate from this motivation
- 5. Self-reliance and independence:** A successful entrepreneur wants to follow his own routine policies and procedures and he does not like to be guided by other
- 6. Highly optimistic:** Successful entrepreneur always optimistic about his future and he is never disturbed by the present problems. He does not allow the past to obsess him
- 7. Keen foresight:** An entrepreneur must have keen foresight to predict the future business environment. He has the capacity to visualize the likely changes to take place in the market.
- 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 staring up a new venture.
- 9. Innovativeness:** When all is said and done, innovation becomes a different task. One should be always innovative satisfy the varying demands of customers.
- 10. Risk sharing:** An entrepreneur is not a gamble and hence he should not assume high risk. However, he must love a moderate risk situation, high enough to be exiting.
- 11. Secrecy maintenance:** A successful entrepreneur must be capable of maintaining and guarding all his business secrete leakage of business secrets to trade competitors will definitely lead to the downfall of his business.

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**12. Maintenance of public relations:** The extent of maintenance of public relations of human relations has a vital role to play on the success or failure of an entrepreneur.

**13. Communication skill:** Communication skill is the secret of the successes most entrepreneur. Good communication skill enables them to put there points across effectively and with clarity and thereby helps them to who customer.

**14. Looking for opportunities or Opportunity Explorer:** Entrepreneur is like a watch dog. He identifies favorable business opportunity. He should take necessary actions accordingly & convert such opportunities into realistic achievable goals.

**15. Proper planning:** Entrepreneur frames realistic business plans and follows them rigorously to achieve the objectives in a prescribed time limit.

**16. Ability to mobilise the resources:** Various sources are required for production. If true entrepreneur is one who has ability to mobilise the resources in the best possible manner for achieving the business objectives.

**17. Good organiser:** An entrepreneur should have the ability to organise and manage the various factors of productions to the best of his enterprise.

## **FUNCTIONS OF ENTREPRENEUR**

**1. Risk assumption function:** An entrepreneur has to necessarily act as a risk bearing agent of production since he has to bear a greater amount of uncertainties in business. The term uncertainty refers to more than an ordinary risk. The entrepreneur assumes this risk and tries to reduce these uncertainties by his initiative skill and admirable ability.

**2. Decision making function:** From the very inception of the business till its development, an entrepreneur has to take decisions at various stages. He has to decide the nature and type of goods to be produced. The size of the business, its locations, technique of production etc., A successful entrepreneur is one who takes sound decisions at the appropriate time so that his business may succeed.

**3. Managerial function:** An entrepreneur has to perform the managerial function also managerial function us nothing but function of coordination, or Generation and supervision. While undertaking enterprise, he has to perform all managerial function starting with planning and ending with controlling.

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- 4. Function of innovation:** Innovation is an important distinction between an investor and innovation. The person who discovers new methods, new material and machines is called an investor. Innovation is a never ending process and in fact it is ongoing function.
  - 5. Planning:** Planning is the first stage in establishing an enterprise. It is a primary function to measure optimum utilisation of resources for realising the objectives of enterprise.
  - 6. Organisation:** Organisation of the enterprise is the main function of entrepreneur. It implies bringing together the various factors of production. The purpose is to allocate the productive in order to minimise losses and reduce cost of production.
  - 7. Uncertainty bearing:** Uncertainty is defined as a risk which cannot be incurred against and incalculable. Entrepreneur bears uncertain trends in market, trade, credit, etc. Which by its nature cannot be insured or, capitalised or, salaried too?
  - 8. Diversification of production:** Entrepreneur, depending upon the market trend, should change the production according to requirements of the customers.
  - 9. Expansion of all enterprise:** Entrepreneur once established business. It shows growth and development. Once business should grow and develop therefore the enterprise has to struggle hard to maintain and expand the business in order to increase the profits.
  - 10. Maintain cordial relations of employer and employee:** In the enterprise, employees are the real and valuable asset. The success of the entrepreneur depends upon the employees. For this process entrepreneur maintains cordial relationship by providing incentives and the like.
  - 11. Tackling labour problems:** Various labours arising in the enterprise have labour have different mental attitude. Entrepreneur keeps cool under a lot of tension while solving the labour problems and decision making.
  - 12. Co-ordination with outside agencies:** Entrepreneur should establish proper co-ordination with outside agencies.

## **TYPES OF ENTREPRENEUR**

### **A. According to the type of business**

- 1. Business entrepreneur:** He maybe undertaking the trading business or manufacturing business but initially the size of the business is very small. As the entrepreneur flourishes, he tends to expand his business.

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**2. Trading entrepreneur:** He has to be creative enough as he has to identify the market. He has to identify potential market, create demand through extensive advertisement of his product Joe thus inspire people to buy his product.

**3. Industrial entrepreneur:** As the very name indicates, an industrial entrepreneur is one who sets up an industrial unit. An industrial entrepreneur has the ability to convert economic resources and technology into a considerably profitable venture.

**4. Corporate entrepreneur:** He is the one who plans, develop and manages a corporate body. He is a promoter, an essential part of board of director, an owner as well as entrepreneur.

**5. Agriculture entrepreneur:** He is the one who is engaged in the agriculture activities. He uses latest technology to increase the productivity of agriculture and also adopts mechanization.

#### **B. According to motivation**

**1. Pure entrepreneur:** He is one who may or may not possess an aptitude for entrepreneurship but is tempted by the monetary rewards or profits to be earned from the business venture. He is status conscious and wants recognition.

**2. Induced entrepreneur:** He is attracted by the various incentives, subsidies and facilitates offered by the government. 'An entrepreneur is not born' this is no doubt true as every person can be trained to become a good entrepreneur.

#### **C. According to the use of technology**

**1. Technical entrepreneur:** The strength of a technical entrepreneur is in his skill in production techniques. He concentrates more on production than on marketing. He applies to develop and to improve the technical aspect of the product.

**2. Non-technical entrepreneur:** Unlike technical entrepreneur, non-technical entrepreneur is not concerned with the technical aspect of the product rather he spends more time in developing alternatives strategies of the marketing and distribution to promote his business.

#### **D. According to stage of development**

**1. First generation entrepreneur:** They are those entrepreneurs who do not possess any entrepreneurial background. They start an industrial unit by means of their own innovative skills.

**2. Second generation entrepreneur:** They are those entrepreneurs who inherit the family business firms and pass it from one generation to another.

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**3. Classical entrepreneur:** He is a stereo type entrepreneur whose aim is to maximize his economic return at a level consistent with the survival of the unit but with or without an element of growth.

#### **E. Classification given by danhof**

**1. Innovative entrepreneur:** He is one who is able to foresee potentially viable and profitable opportunities through innovation. This type of entrepreneur is highly motivated and talented and innovation is his key function. He creates new values of increase the value of what already exists.

**2. Adoptive or Imitative entrepreneur:** He is one who is ready to adopt the successful innovation already inaugurated by innovation entrepreneur. In other words an Imitative entrepreneur does not innovate anything by himself. But, he only imitates techniques and technologies innovated by others.

**3. Fabian entrepreneur:** He is one who adopts a great caution and scepticism in introducing change in the business normally. He has neither the will to introduce any new changes nor the desire to adopt new methods. He is dominated more by customer, religions, traditions and past practices and he is not ready to take any risk.

**4. Drone entrepreneur:** He is one in blindly follows the traditional methods of production even when it causes loss to him. He is not prepared to introduce any change under any circumstances in the method of production he has already introduced. He continuous to carry out his business in the traditional way even when he suffers losses.

#### **F. According to capital owners**

**1. Private entrepreneur:** When an individual or a group of individuals set up an enterprise, arrange finance, bear the risk and adopt the latest techniques in the business with the intention to earn profits, he or the group is called as private entrepreneur.

**2. State entrepreneur:** As the name indicates, state entrepreneur means the trading or industrial venture undertaken by the state or the government itself.

**3. Joint entrepreneur:** The combination of private and state entrepreneur who join hands.

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## ROLE OF ENTREPRENEUR IN ECONOMIC DEVELOPMENT

- 1. Coordinating role:** The essential function of an entrepreneur is to coordinate the various factors of production. Coordination involves selection of the right type of factor, employment of each factor in the right quantity, use of the best technology, division of labour etc.,
- 2. Agent role:** Entrepreneur are aptly called 'Agent of change' entrepreneur act as catalyst or agent of economic development by perceiving opportunities and putting into action.
- 3. Role of innovation:** Innovation is a key to entrepreneurship innovation implies the commercial application of an invention. As an innovator the entrepreneur assumes the role of a pioneer and an industrial leader. Entrepreneur have contributed many innovation in developing new products and in the existing products and services.
- 4. Risk assumption role:** The most important function of an entrepreneur is the assumption of risk. Every productive venture involves risks and production cannot take place he people do not come forward to bear risks.
- 5. Imitating role:** Entrepreneur in developing countries take the role of "imitators" entrepreneur, of the developed countries. They copy the organisations technology and the products of innovation from other developed regions.
- 6. Capital formation role:** Entrepreneur promotes capital formation by mobilizing the idle saving of the public. Again, the profits they earn lead to saving of wealth which ultimately goes to capital formation.
- 7. Balancing role:** Developing countries like India aims at decentralized industrial structure to remove the regional imbalance in the levels of economic development entrepreneurs play a dominant role to achieve balance regional development by starting small scale industries.
- 8. Status transformation role:** Entrepreneur create wealth, generates, employment and income and thereby they increase the standard of living of the people. People are able to have a better standard of living by getting improved products and comforts supplied by entrepreneurs.
- 9. Employment generation role:** Entrepreneur with high achievement motivation come forward to establish business and industries ventures which provide immediate large Scale employment. The entrepreneur helps the unemployment problem in the country
- 10. Export promotion role:** Entrepreneur also promotes a country's export trade which is an important ingredient to economic development. They have the potential of transforming their underdeveloped economies into developed economics.



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**11. Improvement of per capita income:** Entrepreneur possesses the capacity to convert the latent and idle resources like land, labour, and capital into goods and services. This will help to increase in the national product and per capita income of the country.

**12. Improvement of standard of living:** Entrepreneur establishes the industries which help to remove the scarcity of essential commodities and introduction of new product and production reduces the cost of production ultimately goods are available at a cheaper rate. So this in result increases the purchasing power of consumer. This will help to improve the standard of living.

**13. Helps for transfer of technology:** Entrepreneur helps for transfer of technology from one country to another country.

**14. Creates competitive market:** Entrepreneur makes markets more competitive and thereby reduces both static and dynamic market efficiency.

**15. Creates international market:** Entrepreneur creates new market and facilitates expansions into international markets.

**16. Improve social welfare:** Entrepreneur improves social welfare of a country by harnessing previously overlooked talent. Increase the productivity. Entrepreneur increases the productivity by technical and other forms of innovation.

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## MODULE-2

### ENTREPRENEUR AND ENTREPRENEURSHIP

#### DIFFERENCE BETWEEN ENTREPRENEUR AND INTRAPRENEUR

Basis	Entrepreneur	Intrapreneur
1. Dependency	Independent businessman	An Intrapreneur is depend on the entrepreneur or semi independent
2. Rising of funds	an entrepreneur himself rises the funds required for the enterprise from various sources	an Intrapreneur doesn't raise the funds
3. Risk	entrepreneur bears full risk of his business	Intrapreneur doesn't bear any risk
4. Operation or activity	entrepreneur operates from outside	Intrapreneur operates from within organization
5. Guarantee	entrepreneur give the guarantee for the return of money to creditor	Intrapreneur doesn't give any such guarantees
6. Ideas	entrepreneur convert the ideas of Intrapreneur into reliability	only create new ideas
7. Nature of venture	entrepreneur establishes a new small enterprises	salary person who innovate new things
8. Capital investment	he makes the personal capital investment	Intrapreneur uses the resources in big organization
9. Reward	it have the own reward guaranteed from creating new things	in case of Intrapreneur doesn't own rewards

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## DIFFERENCE BETWEEN ENTREPRENEUR AND MANAGER

Point of Distinction	Entrepreneur	Manager
1. Innovation	Entrepreneur thinks over what & how produce goods meet the customer. Therefore Entrepreneur is called a change Agent	Manager is simple to execute the plans prepaid by the Entrepreneur. Thus manager simply translates the Entrepreneurs ideas into practice. Manager is the product of change
2. Status	Entrepreneur is the owner of enterprise. He is the own boss and enjoys an independent position.	Manager is the servant in the enterprise owned by the Entrepreneur. Thus he is the employee of the enterprise. Thus he is the subordinate of the Entrepreneur
3. Motive of venture	The main motive of an Entrepreneur is to set up new enterprise for his personal gratification	The main motive of manager is to render his services in an existing Enterprise. so he does not take new venture
4. Qualification	Entrepreneur needs prerequisites i.e. qualities & qualification like mission creative thinking high achievement motive foresight risk bearing ability ,etc...	Manager needs distinct qualification such as knowledge of human behaviour a sound knowledge in management theory & practice because a manager is made not born
5. Reward	The reward of an Entrepreneur for his risk bearing is profit it is not only uncertain & irregular but can @ times be negative also	The reward of a manager for rendering his services is salary. The salary of a manager is fixed & regular & can never be negative

<b>6. Continuity</b>	Entrepreneurial activities are discontinuous appearing to initiate change in the production process & then disappearing until another change is initiated.	Managerial activities are mainly continuous involving going coordination of business operations.
<b>7. Risk bearing</b>	An Entrepreneur assumes are risks & uncertainty involved in the enterprise	A manager doesn't bear the risk involved in the Enterprise.
<b>8. Accord in to Schumpeter duties</b>	An Entrepreneur to change factor combination & thus increase productivity & profits an Entrepreneur launches.	A manager is one who deals with day to day appears of a going concern a manager operates an existing enterprise
<b>9. Definition</b>	An Entrepreneur is a person who strives for creating something new of value, organise resources, assumes risk & own the rewards	Manager is persons in a any organisation who directs & control other people
<b>10. Function</b>	The major functions an Entrepreneur are: innovating organising & monitoring risk taking reaping rewards	The major functions manager is: planning, organising, staffing, directing, controlling.
<b>11. Commitment of opportunity</b>	The commitment Entrepreneur to the opportunity is revolutionary with short time	The commitment of a Manager to the opportunity is evolutionary with long time
<b>12. Commitment of resources</b>	An Entrepreneur commits is resources to multistage with minimal exposure at each stage	The commits the organisational resources to single with complete exposure at that stage.
<b>13. Getting things done</b>	An Entrepreneur gets the things done in an Entrepreneurial way.	Manager simply gets the things done by other people.
<b>14. Position of exchange</b>	An Entrepreneur can be a manager.	Manager cannot be an entrepreneur.

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## RISKS INVOLVED WITH ENTREPRENEURSHIP

- 1. Financial Risk:** The entrepreneurship has to invest money in the enterprise on the expectation of getting in return sufficient profits along with the investment. He may get attractive income or he may get only limited income. Sometimes he may incur losses.
- 2. Personal Risk:** Starting a new venture uses much of the entrepreneur's energy and time. He or she has to sacrifice the pleasures attached to family and social life.
- 3. Carrier Risk:** This risk may be caused by a number of reasons such as leaving a successful career to start a new business or the potential of failure causing damage to professional reputation.
- 4. Psychological Risk:** Psychological risk is the mental agonies an entrepreneur bears while organizing and running a business venturesome entrepreneurs who have suffered financial catastrophes have been unable to bounce back.

## BARRIERS TO ENTREPRENEURSHIP

Entrepreneurial development is very slow in under developed and developing countries. This is due to the presence of several factors. Gunnar Myrdal pointed out that Asian societies lack entrepreneurship not because they lack money or raw material but because of their attitudes. These barriers to entrepreneurship are classified into three as follows:

### A. Environmental Barriers:

- 1. Non-Availability of Raw Material:** Non-availability of raw materials especially during peak season is one of the obstacles inhibiting entrepreneurship. This leads to competition for raw material.
- 2. Lack of Skilled Labour:** This is the most important resource in any organization. Unfortunately, desired manpower may not be available in an organization. This is either due to the lack of skilled labour or due to lack of committed or loyal employees in the organization.
- 3. Lack of Good Machinery:** Good machines are required for the production of goods, because of rapid technological developments, machines become obsolete very soon. Small entrepreneurs find it difficult to get large amount of cash for installing modern machinery.
- 4. Lack of Infrastructure:** Lack of infrastructure facilities is a major barrier to the growth of entrepreneurship particularly in under developed and developing economies. The infrastructural

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facilities include land and building, adequate and cheap power, proper transportation, water and drainage facilities etc.

**5. Lack of Fund:** There are various methods by which an entrepreneur arranges for funds, e.g., own savings, borrowings from friends and relatives, banks and other financial institutions. Many people do not enter into entrepreneurial activities because of lack of funds.

**6. Other Environmental Barriers:** Lack of business education, Lack of motivation from government, corruption in administration, high cost of production etc. are the other environmental barriers that inhibit the growth of entrepreneurship in underdeveloped countries.

### **B. Personal Barriers:**

Personal barrier are those barriers that are caused by emotional blocks of an individual. Some of the personal barriers may be outlined as below:

**1. Unwillingness to Invest Money:** Even though people have money, still they do not come in entrepreneurship. They are not willing to take the risk of investing money in business.

**2. Lack of Confidence:** Many people think that they lack what it takes to become an entrepreneur. They feel that they could not master all the skills. Thus most people are reluctant to become entrepreneurs.

**3. Lack of Motivation:** When an individual starts a new venture, he is filled with enthusiasm and drive to achieve success. But when he faces the challenges of real business or bears loss, or his ideas don't work, he loses interest or motivation.

**4. Lack of Patience:** The desire to achieve success in the first attempt or to become rich very soon is the prime motivating factor of modern youth. When such dreams do not come true, they lose interest. This gradually drives to fail in business.

**5. Inability to Dream:** Entrepreneurs, who are short on vision or become satisfied with what they achieve, sometimes lose interest in further expansion/growth of business.

### **C. Social Barriers:**

The social attitude inhibits many people even from thinking of starting a business. The important social barriers are as follows.

**1. Low Status:** The society thinks that entrepreneurs are the people who exploit the society. Thus the attitude of the society towards entrepreneurs is not positive.

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**2. Custom and Tradition of People:** Most people want a real job. Even parents who are entrepreneurs wouldn't like their children to be entrepreneurs. Thus lack of support from society and family hinder the growth of entrepreneurs.

## **FACTORS AFFECTING ENTREPRENEURIAL GROWTH**

**A. Psychological Factors:** Inspiration for achievement prepares an entrepreneur to set higher goals and achieve them. The important psychological factors influencing entrepreneurial growth may be outlined as below:

**1. Need for Achievement:** Need for achievement means the drive to achieve a goal. People having need for achievement will be so much self – confident that they do not believe in mere luck. If an individual has need for achievement, he will become a successful entrepreneur.

**2. Personal Motives:** These have been found to be one of the crucial factors responsible for entrepreneurship amongst individuals. Bill Gates dreamt that one day he would become the richest person. His dream became a reality later.

**3. Recognition:** Many people become successful entrepreneurs just for getting recognition from others.

**4. Need of Authority:** 'Need of authority' will inspire men to work. When they become entrepreneurs, they can exercise authority over managers, employees etc.

**B. Cultural Factors:** - Culture consists of (1) Tangible man – made objects like furniture, buildings etc., (2). Intangible concepts like Laws, morals, knowledge etc., (3) Values and behaviour acceptable within the society. The important cultural factors influencing entrepreneurial growth are briefly explained as follows:

**1. Culture:** Culture is closely related with accepted values and human behaviour. For e.g. some societies have customs of polygamy and some have not.

**2. Religious Belief:** According to Max Weber, entrepreneurship is a function of religious belief and the impact of religion shapes the entrepreneurial culture. He emphasized that the entrepreneurial energies are exogenous supplied by means of religious belief.

**3. Minority Groups:** Hoselitz explained that the supply of entrepreneurship is governed by cultural factors, and culturally minority groups are the spark plugs of entrepreneurial and economic development. Minority groups like the Jews and Greeks in Medieval Europe, the

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Lebanese in West Africa, the Indians in East Africa has important roles in promoting economic development.

**4. Spirit of Capitalism:** It guides the entrepreneur to engage in activities that can bring more and more profits. The profit motive character coupled with the attitude towards acquisition of money urges the individual to start new venture.

**C. Social Factors:** What mould a man into an entrepreneur is the sociological and environmental factors during childhood, and at the school, personal experience in adult life at the college and job environments, the mobility, occupation and support from parents. The social factors include:

**1. Legitimacy of Entrepreneurship:** System of norms and values within a socio – cultural setting is responsible for the emergence of entrepreneurship. The degree of approval or disapproval granted to entrepreneurial behaviour will influence its emergence and its characteristics if it does emerge.

**2. Social Marginality:** Individuals or groups on the perimeter of a given social system or between two social systems provide the personnel to assume the entrepreneurial roles. Social marginality is likely to promote entrepreneurship are largely determined by two factors, namely the legitimacy of entrepreneurship and social mobility.

**3. Family, Role Models and Association with Similar Type of Individuals:** If an individual has a supportive family, he or she is more likely to become an entrepreneur. Similarly, if an individual has role models who have been successful in entrepreneurship, certainly, he may be motivated to start ventures. If a person is in association with entrepreneurs, this may add to his or her desire of setting up a new venture.

**4. Caste System:** Certain religions and caste encourage the growth of entrepreneurial talent. Some religious communities like the parsees, marwaris and sindhees seem to have an affinity for entrepreneurial activity. The caste system in Hindu society has promoted to the growth of business and professional skills.

**5. Occupation:** Those born in rich families with silver spoons in their mouth have not only an advantage of having financial resources for carrying out business but also learn the business skill by continuous interaction and contacts with parents, customers, employees and visitors in family shops, offices and homes.



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**6. Education and Technical Qualifications:** Education is the best means of developing man's resourcefulness which encompasses different dimensions of entrepreneurship. It may be expected that the high level of education may enable the entrepreneurs to exercise their entrepreneurial talent more efficiently and effectively.

**7. Social Status:** Every human being aspires for a high social status and once he achieves a reasonable level, his aspirations and desires for its start getting multiplied. People work hard to maintain their status as it also contributes to their entrepreneurial growth.

**8. Social Responsibility:** It is the obligation to the society in which the business enterprise operates. An entrepreneur generates employment for others besides helping himself.

**D. Economic Factors:** Economic factors also influence the growth of entrepreneurship. The important economic factors are:

**1. Infrastructural Facilities:** Entrepreneurship development requires certain basic infrastructure like power, transportation, communication, technical information etc. These provide external economies and improve the efficiency of investments by entrepreneurs. These infrastructural facilities are scarce in less developed countries. The entrepreneurs themselves have to procure these facilities at their own cost. They have to obtain these facilities at higher costs. This will greatly discourage the entrepreneurship development. In advanced countries, those who are desirous of starting an enterprise will find no difficulty in procuring the infrastructural facilities at reasonable costs.

**2. Financial Resources:** Finance is the life blood of business activity. Capital is required to obtain materials, machinery, equipment, etc. and to undertake innovation. Capital is regarded as lubricant to the process of production. The lack of financial resources discourages the youth and potential entrepreneurs to start new ventures. Hence, the need for fixed and working capital should be adequately met if new entrepreneurs are to come forward and grow.

**3. Availability of Material and Know – How:** Entrepreneurship is encouraged only if there is an adequate supply of materials and know-how. Easy availability of materials attracts more individuals towards entrepreneurship. Technical know-how is essential for innovation. With technical knowledge, men discover more and sophisticated techniques of production.

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**4. Labour Conditions:** The quality rather than quantity of labour is another factor which influences the emergence and growth of entrepreneurship. The availability of cheap labour positively affects entrepreneurship. Labour problem can be solved not by capital intensive technologies but by increasing their mobility, by offering them facilities, incentives and concessions in every remote corner of the country.

**5. Market:** The size and composition of market influence entrepreneurship in their own ways. Practically, monopoly in a particular product in a market becomes more influential for entrepreneurship than a competitive market.

**6. Support System:** Ability, initiative and support systems include financial and commercial institutions, research, training, consultancy services, ancillary industry etc.

**7. Government Policy:** The socio- political and economic policies of the government inhibit or foster entrepreneurial growth. Land and factory sheds at concessional rates, adequate sources of power, supply of materials and other physical facilities should be provided by the government to facilitate the setting up of new enterprises. The government has a dominant role to play in the industrial development of backward regions with a view to attain a balanced regional development.

**E. Personality Factors:** The supply of entrepreneurship in a society is largely influenced by the presence of individuals with the initiativeness, foresightedness and organizing and managerial competence. The following personality factors contribute to the entrepreneurial development:

**1. Personality:** The entrepreneurial personality comprises of the person, his skills, styles and motives. Impressive personality and individual skill help to develop entrepreneurship. These qualities are required for entrepreneurs because they have to work with officers, managers, engineers, labourers, customers, investors, govt. officers, ministers etc.

**2. Independence:** Another personality factors which influences entrepreneurship is independence. An entrepreneur works out plans on his own, searches and explores resources and experiences and uses inner urge to make the enterprise a success instead of waiting for suggestions or directions from others.

**3. Compulsion:** Certain compelling reasons also force the people to become entrepreneurs. These include:

(a) Unemployment or dissatisfaction with existing job or occupation,

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- (b) To use technical or professional knowledge and skills,
  - (c) To put the idle funds to use. A large number of technically qualified people after gaining initial experience and confidence and not being satisfied by their growth in the profession have a compulsive reason to try entrepreneurship.

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## **MODULE -3**

### **THEORIES OF ENTREPRENEURSHIP**

#### **THEORIES OF ENTREPRENEURSHIP**

- A. Economist's view
- B. Sociologist's view
- C. Psychologist's view

#### **A. ECONOMIST'S VIEW**

- Entrepreneur and entrepreneurship have been a point of interest to economics as early as 1755.
- According to economists entrepreneurship and economic growth will take place in those situations where particular economic conditions are most favourable.
- Economic incentives are the main drive for the entrepreneurial activities. They firmly believe that a well development market and efficient economic policies foster entrepreneurship a big way.
- Economic incentives are the main drive for the entrepreneurial activities. In some cases, it not so evident, but the persons inner drives have always been associated with economic gains.
- These incentives and gains are regards as the sufficient conditions for the emergence of industrial entrepreneurship.
- When an individual recognizes that the market for a product or service is out of equilibrium, he may purchase or produce at the prevailing price and sell to those who are prepared to but at the highest price.
- Lack of entrepreneurship is due to various kinds of market imperfections and inefficient economic policies.

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## **1. Economic Theory of Entrepreneurship**

Many economists revealed that entrepreneurship and economic growth will take place in those circumstances where particular economic conditions are in favour of the business environment. The main advocates of this theory were Papanek and Harris. According to them economic incentives are the main forces for entrepreneurial activities in any country. There are a lot of economic factors which promote or demote entrepreneurship in a country. These factors are:

- (a) The availability of bank credit
- (b) High capital formation with a good flow of savings and investments
- (c) Supply for loanable funds with a lower rate of interest.
- (d) Increased demand for consumer goods and services
- (e) Availability of productive resources.
- (f) Efficient economic policies like fiscal and monetary policies
- (g) Communication and transportation facilities

Economic development was the result of rationalization of technology and accounting systems and the acquisition of capital and its productive use was the main theme of the Weberian thesis. Some scholars have tried to explain the growth of entrepreneurship in terms of regional economic factors, i.e., industrial support to environment in these regions. A question which was analysed by a researcher is: “Since Jains and Vaisyas were in every corner of India, why was it that only Marwari and Gujarati Vaisyas and Jains gave lead in entrepreneurship, mostly in Gujarat”. This analysis revealed that Gujarat had environment favourable to business and industry. Thus, it can be concluded that the industrial climate may have a very significant impact on the response of entrepreneurs. However, the group factors, as emphasized by various studies, cannot be ignored altogether.

## **B. SOCIOLOGIST’S VIEW**

- Entrepreneurship is inhibited by the social system, which denies opportunities for creative facilities.

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- The forces of custom, values, the rigidity of status and the distrust of new ideas and of the exercise of intellectual curiosity, combine to create an atmosphere inimical to experiment and innovation.
  - Sociologists argue that entrepreneurship is most likely to emerge under a specific social culture.
  - According to them social sanctions, cultural values and role expectations are responsible for the emergence of entrepreneurship.
  - Social-cultural values channel economic action that gives birth to entrepreneurship.
  - Society's values are the most important determinant of the attitudes and role expectation.
  - Sociologists suggest that culturally marginal groups promote entrepreneurship and economic development. Such groups, because of their ambiguous position are peculiarly suited to make creative adjustments and thereby develop genuine innovations.
  - In several countries entrepreneurs have emerged from particular socio-economic class.
  - According to Stokes socio-cultural values channel economic action. He suggests that personal and social opportunity and the presence of the requisite psychological distributions may be seen as conditions for an individual's movement into industrial entrepreneurship.

### **1. Max Weber's Theory of Entrepreneurial Growth**

Max Weber in his theory says religion has a large impact on entrepreneurial development. According to Weber some religions have basic beliefs to earn and acquire money and some have less of it. He calls them a 'spirit of capitalism' and 'adventurous spirit'. The spirit of capitalism will be generated when mental attitude in the society is favourable to capitalism. According to Max Weber, driving entrepreneurial energies are generated by the adoption of exogenously-supplied religious beliefs. It is these beliefs which produce intensive exertion in occupational pursuits, the systematic ordering of means to ends, and the accumulation of assets. His theory suggests the belief systems of Hinduism, Buddhism and Islam do not encourage entrepreneurship. His stand has been challenged by many sociologists.

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Max Weber's theory suited the colonial rulers who wanted to encourage European entrepreneurship in India. But it has been criticised by subsequent researchers. The theory is based on the invalid assumptions, which are:

- (a) There is a single system of Hindu value,
- (b) The Indian community internalised those values and translated them to day-to-day behaviour, and
- (c) These values remained immune to and insulated against external pressures and change. The rapid growth of entrepreneurship in India since independence proves that Hinduism is not averse to the spirit of capitalism and to adventurous spirit.

Many thinkers have accepted the Weber's analysis of linkage between religious belief and entrepreneurial growth. But this view is not accepted universally. Samuelson criticised Weber's view on the ground that capitalism also developed in those societies where protestant ethic was 'not prevalent. Hoselitz argued that Protestant could not develop industries in France because they were not given political security. It can be concluded in the words of Carroll that "ethical values have some effect on entrepreneurial growth but to Consider them all in all would be unrealistic."

## **2. Thomas Cochran's Theory of Cultural Values**

The key proportions in Thomas Cochran's theory are cultural values, role expectations and social sanctions. According to him, the entrepreneur represents society's model personality. His performance is influenced by the factors of his own attitudes towards his occupation, the role expectations held by sanctioning groups, and the operational requirements of the job. The determinants for the first two factors are the society's values.

Changes over time in such variables as population, technology, and institutional drift will impinge on the role structure by creating new operational needs. In most countries, entrepreneurs have emerged from a particular socio-economic class. The Protestant ethic of the West is said to have contributed to the emergence of a new class of industrialists. It can be noted that various communities and castes like samurai in Japan, family pattern in France, Yoruba in Nigeria, Kikuya in Kenya, Christians in Lebanon, Halai Memon industrialists in Pakistan, Parsees, Marwaries and Gujaratis in India have been the sources of entrepreneurship.

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## C. PSYCHOLOGIST'S VIEW

The phenomenon of entrepreneurship development has been viewed, explained and interpreted differently.

According to Psychologists, entrepreneurship is most likely to emerge when a society has sufficient supply of individuals possessing particular psychological characteristics. The main characteristics are:

- An institutional capacity to see things in new way (vision),
- Energy of will and mind to overcome fixed habits of thought,
- An urge to do something,
- To fulfil a dream,
- He capacity to withstand social opposition; and
- The high need for achievement.

Each of the above view point is incomplete and none of them is right or wrong. Entrepreneurship is influenced by a multitude factors and, therefore, no single factor by itself can generate entrepreneurship. Thus, entrepreneurship is the outcome of complex and varying combination of socio-economic, psychological and other factors.

Among those who have stressed on the psychological aspects as contributing to entrepreneurial success are Joseph Schumpeter, McClelland, Hagen and Kunkal. The main focus of these theories is as follows:

### 1. Innovation Theory of Schumpeter

A dynamic theory of entrepreneurship was first advocated by Schumpeter (1949) who considered entrepreneurship as the catalyst that disrupts the stationary circular flow of the economy and thereby initiates and sustains the process of development. Embarking upon 'new combinations' of the factors of production - which he succinctly terms, innovation - the entrepreneur activates the economy to a new level of development.

Schumpeter introduced a concept of innovation as key factor in entrepreneurship in addition to assuming risks and organising factor of production. Schumpeter defines entrepreneurship as "a creative activity". An innovator who brings new products or services into economy is given the status of an entrepreneur. He regards innovation as a tool of entrepreneur, The entrepreneur is viewed as the 'engine of growth', He sees the opportunity for introducing



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new products, new markets, new sources of supply, new forms of industrial organization or for the development of newly discovered resources. The concept of innovation and its corollary development embraces five functions:

- The introduction of a new product with which consumers are not yet familiar or introduction of a new quality of an existing product,
- The introduction of new method of production that is not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially,
- The opening of new market that is a market on to which the particular branch of manufacturer of the country in question has not previously entered, whether or not this market has existed before,
- Conquest of a new source of supply of raw material and
- The carrying out of the new organisation of any industry.

Schumpeter is the first major theorist to put the human agent at the Centre of the process of economic development. He is very explicit about the economic function of the entrepreneur. The entrepreneur is the prime mover in economic development; his function, to innovate or carry out new combinations. Schumpeter makes a distinction between an innovator and an inventor. An inventor discovers new methods and new materials. On the contrary, an innovator is one who utilises or applies inventions and discoveries in order to make new combinations. An inventor is concerned with his technical work of invention whereas an entrepreneur converts the technical work into economic performance. An innovator is more than an inventor because he does not only originate as the inventor does but goes much farther in exploiting the invention commercially.

Wilken had added the concept of the changes that an entrepreneur brings:

- Expansion of goods, products.
- Productivity of factors of production such as finance, labour, material.
- Innovation in production such as, technology, process changes and increase in human resource productivity.

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- Innovation in marketing area such as the composition of the market, size of the market and new markets.

To Schumpeter, entrepreneurs are individuals motivated by a will for power; their special characteristic being an inherent capacity to select correct answers, energy, will and mind to overcome fixed talents of thoughts, and a capacity to withstand social opposition. The factors that contribute to the development of entrepreneurship would essentially be a suitable environment in grasping the essential facts.

It can be noted that this theory's main figure, the "innovating entrepreneur" has played an important role in the rise of modern capitalism. The entrepreneur has been the prime mover - for economic development process. On the criticism side, this theory seems one-sided as it puts too much emphasis on innovative functions. It ignores the risk taking and organizing aspects of entrepreneurship. An entrepreneur has not only to innovate but also assemble the resources and put them to optimum use.

While stressing upon the innovative function of the entrepreneur, Schumpeter ignored the risk-taking function, which is equally important. When an entrepreneur develops a new combination of factors of production, there is enough risk involved.

In spite of these lacking, the theory supports the "enterprising spirit" of entrepreneur to innovate. It is the act that endows resources with a new capacity to create wealth. Drucker says, "Innovation, indeed, creates a resource. It endows it with economic value." Schumpeter's views are particularly relevant to developing countries where innovations need to be encouraged. The transformation of an agrarian economy into an industrial economy required a great deal of initiative and changes on the part of businessmen and managers.

## **2. Need for Achievement Theory of McClelland:**

According to McClelland the characteristics of entrepreneur has two features - first doing things in a new and better way and second decision making under uncertainty. McClelland emphasizes achievement orientation as most important factor for entrepreneurs. Individuals with high achievement orientation are not influenced by considerations of money or any other external incentives. Profit and incentives are merely yardsticks of measurement of success of entrepreneurs with high achievement orientation. People with high achievement (N-Ach) are not influenced by money rewards as compared to people with low achievement. The latter types are

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prepared to work harder for money or such other external incentives. On the contrary, profit is merely a measure of success and competency for people with high achievement need.

Professor David McClelland, in his book *The Achieving Society*, has propounded a theory based on his research that entrepreneurship ultimately depends on motivation. It is the need for achievement (N-Ach), the sense of doing and getting things done, that promote entrepreneurship.

According to him, N-Ach is a relatively stable personality characteristic rooted in experiences in middle childhood through family socialization and child-learning practices which stress standards of excellence, material warmth, self-reliance training and low father dominance.

According to him a person acquires three types of needs as a result of one's life experience. These three needs are:

- Need for Achievement. A drive to excel, advance and grow.
- Need for Power. A drive to dominate or influence others and situations.
- Need for Affiliation. A drive for friendly and close inter-personal relationships.

McClelland found that certain societies tended to produce a large percentage of people with high achievement. He pointed out that individuals, indeed whole societies that possess N-ach will have higher levels of economic well-being than those that do not. McClelland's work indicated that there are five major components to the N-ach trait:

- (a) Responsibility for problem solving,
- (b) Setting goals,
- (c) Reaching goals through one's own effort,
- (d) The need for and use of feedback, and
- (e) A preference for moderate levels of risk-taking.

The individual with high levels of need achievement is a potential entrepreneur. The specific characteristics of a high achiever (entrepreneur) can be summarized as follows:

- (i) They set moderate realistic and attainable goals for them.
- (ii) They take calculated risks.
- (iii) They prefer situations wherein they can take personal responsibility for solving problems.
- (iv) They need concrete feedback on how well they are doing.
- (v) Their need for achievement exist not merely for the sake of economic rewards or social recognition rather personal accomplishment is intrinsically more satisfying to them.

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According to McClelland, motivation, abilities and congenial environment, all combine to promote entrepreneurship. Since entrepreneurial motivation and abilities are long run sociological issues; he opined it is better to make political, Social and economic environments congenial for the growth of entrepreneurship in underdeveloped and developing countries.

### **3. Hagen's Theory of Entrepreneurship:**

One important theory of entrepreneurial behaviour has been propounded by Hagen which is referred to as the withdrawal of status respect. Hagen has attributed the withdrawal of status respect of a group to genesis of entrepreneurship. Hagen considers the withdrawal of status, of respect, as the trigger mechanism for changes in personality formation. Status withdrawal occurs when members of some social group perceive that their purposes and values in life are not respected by the groups in the society they respect, and whose esteem they value. Hagen postulates four types of events which can produce status withdrawal:

- Displacement of a traditional elite group from its previous status by another traditional supply physical force.
- Denigration of valued symbols through some change in the attitude of the superior group.
- Inconsistency of status symbols with a changing' distribution of economic power.
- Non-acceptance of expected status on migration to a new society.

Hagen further postulates that withdrawal of status respect would give to four possible reactions and create four different personality types:

**(a)Retreatist:** Entrepreneur who continues to work in society but remains indifferent to his work or status.

**(b)Ritualist:** One who works as per the norms in the society hut with no hope of improvement in the working conditions or his status.

**(c)Reformist:** One who is a rebellion and tries to bring in new ways of working and new society.

**(d)Innovator:** An entrepreneur who is creative and try to achieve his goals set by himself.

According to Hagen (1962), the creativity of a disadvantaged minority group is the main source of entrepreneurship. He developed this thesis from the case of the samurai community of Japan. Traditionally, this community had enjoyed a high status of which it was deprived later. To regain this lost prestige, it became more active and vigorous and gave rise to many entrepreneurs. McClelland supported this thesis by admitting that a suppressed community had

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more *creativity*. He said that Jains could be successful entrepreneurs because of their consciousness of their majority and superiority complexes. McClelland had modified Hagen's thesis slightly in order to explain such cases. He stated that the subordination of minority group could arouse achievement motivation in its members but its extent depended upon the initial level of motivation and the means available to the group to active its achievement motivations.

#### **4. Others View**

##### **1. Leibenstein's X-Efficiency Theory:**

This theory, originally developed for another purpose, has recently been applied to analyse the role of the entrepreneur. Basically, X-efficiency is the degree of inefficiency in the use of resources within the firm: it measures the extent to which the firm fails to realise its productive potential. According to Leibenstein, When an input is not used effectively the difference between the actual output and the maximum output attributable to that input is a measure of the degree of X-efficiency.

X-efficiency arises either because the firm's resources are used in the wrong way or because they are wasted, that is, not used at all. Leibenstein identifies two main roles for the entrepreneur:

- (i) A gap filler and
- (ii) An input completer. These functions arise from the basic assumptions of X-efficiency theory.

Thus it is clear that "if not all factors of production are marketed or if there are imperfections in markets, the entrepreneur has to fill the gaps in the market. To put the enterprise in motion, the entrepreneur should fill enough of gaps." The second role is input completion, which involves making available inputs that improve the efficiency of existing production methods or facilitate the introduction of new ones. The role of the entrepreneur is to improve the flow of information in the market.

The theory concludes that an entrepreneur has to act as gap filler and an input completer if there are imperfections in markets. For using there unusual skills, he gets profits as well as a variety of non-peculiar advantages. According to him there are two types of entrepreneurship.

**(i) Routine entrepreneurship** – deals with normal business functions like co-ordinating the business activities.

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**(ii) Innovative entrepreneurship** – wherein an entrepreneur is innovative in his approach. It includes the activities necessary to create an enterprise where not all the markets are well-established or clearly defined.

## **2. Risk Bearing Theory of Knight:**

A key element of entrepreneurship is risk bearing. Prof. Knight and John Stuart Mill saw risk-bearing as the important function of entrepreneurs. Some important features of this theory are as follows:

**1. Risk creates Profit:** According to the risk-bearing theory, the entrepreneur earns profits because he undertakes risks.

**2. More Risk More Gain:** The degree of risk varies in different industries. Entrepreneurs undertake different degrees of risk according to their ability and inclination. The risk theory proposes that the more risky the nature of business, the greater must be the profit earned by it.

**3. Profit as Reward and Cost:** Profit is the reward of entrepreneur for assuming risks. Hence, it is also treated as a part of the normal cost of production.

**4. Entrepreneur's Income is Uncertain:** He identifies uncertainty with a situation where the probabilities of alternative outcomes cannot be determined either by a priori reasoning or by statistical inference.

A priori reasoning is simply irrelevant to economic situation involving a unique event. This theory summarizes that profit is the reward of an entrepreneur effort which arises for bearing no insurable risks and uncertainties and the amount of profit earned depends upon the degree of uncertainty bearing. Knight argues that business enterprises the level of uncertainty can be reduced. Imperfect competition/not well established market through 'consolidation'. Consolidation is to uncertainty is what insurance is to risk; it is a method of reducing total uncertainty by pooling individual instance. The elasticity of the supply of self-confidence is the single most important determinant of the level of profit and the number of entrepreneurs.

## **3. Theory of Change in Group Level Pattern:**

Young defines entrepreneurs as that the entrepreneur characteristics are found in small groups wherein individuals develop as entrepreneurs. Young arrived at the group level pattern

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behaviour entrepreneurs based on his studies known as Thematic Appreciation Test (TAT) on groups of entrepreneurs. The test revealed the tendency to describe the situation as a problem to be solved, an awareness of pragmatic effort required, confidence in their own ability to solve the problem and a tendency to take the viewpoint of each individual in turn and analyse the situation as he might see it before suggesting an outcome. Young's theory is a theory of change based on society's incorporation of reactive subgroups. A group becomes reactive when the following three conditions coincide:

- When denied of access to important social networks;
- When a group experiences low 'status recognition; and
- When the group has better institutional resources than other groups in the society at the same level.

#### **4. Exposure Theory of Entrepreneurship:**

Many studies have shown that it is the exposure to new ideas and opportunities towards creativity and innovation which leads to create a new venture. There is adequate empirical evidence to prove its validity. 'Tripathi has observed that exposure to new ideas and values were the common factor between Parsi and Hindu entrepreneurs, which led them to entrepreneurship. Education have played very significant role in exposing the Indian entrepreneurs to Western ideas leading them to entrepreneurship. It is also the differential responses of the social groups to opportunities provided by the commitment of the political system to industrialisation that has led the process of entrepreneurial spread.

#### **5. Political System Theory of Entrepreneurial Growth:**

Political system can create adequate infrastructure, favourable laws, favourable taxation system and procedures, provide incentives and subsidies, security to entrepreneurs, create promoting policies and can encourage people towards entrepreneurship. Government can also build supporting system for potential entrepreneurs. Thus, the commitment of political system can contribute significantly towards entrepreneurial development.

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## **RURAL ENTREPRENEURSHIP**

The concept of rural entrepreneur is gaining ground in India adding a new dimension to the debate on who is an entrepreneur and what constitutes entrepreneurship. In a stratified society like India, the indicators that denote entrepreneurship may not be uniform for its different strata. What could be an entrepreneurial activity in a particular stratus of population may not be considered so in other stratus.

### **MEANING AND DEFINITION**

There is need to draw a distinction between the entrepreneurs in villages and in town and cities. The rural entrepreneur is staying in villages producing goods and services mainly with local resources.

Any entrepreneurship engaging in the rural areas is called as rural entrepreneurship. Establishing of industries in the rural areas refers to rural entrepreneurship. Rural entrepreneurship implies to rural industries.

According to Shailendra V., “rural entrepreneur is someone who is prepared to take risks for self-betterment, but is also willing to give himself for the community by staying and creating local wealth.”

Longanathan defined rural entrepreneurship as “an economic activity with in the villages and involves planning, promoting and maintaining of an enterprise suited to rural areas”.

Meaning and definition rural entrepreneurship

Khadi and village industry committee defines rural entrepreneurship as “rural Industry means any industry located in rural areas, population of which does not exceed Rs. 10000 or such other figures which produces any goods or render services with or without power and in which the total capital investment per head of a worker does not exceeds a Rs.1000.

Government of India defines rural entrepreneurship as “any industry located in rural areas, villages or town with a population of Rs.20000 and an investment of Rupees 3 crore in plant and machinery is classified as a rural entrepreneurship”

Any person who started his own industries at rural areas is called rural entrepreneurship.



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## NEED OF RURAL ENTREPRENEURSHIP

- 1. Rural industries create high employment:** Rural entrepreneurships, are labour intensive and they can provide more employment per unit of capital. In cottage and household industries employment possibilities are more.
- 2. Use of raw material:** The rural entrepreneurships are making use of local and agricultural raw materials. It helps to an agriculture development.
- 3. Helps to balance regional development:** In order to benefit the country as a whole, the industries should be developed in all regions. It is possible to start industries in almost all areas such as villages, hill area and even remote corner of the country. So rural entrepreneurship helps to development of industries in villages.
- 4. Helps to rural development and equitable distribution of wealth:** Rural entrepreneurships are play important role in the rural development and increase income of rural.
- 5. Helps to protect and promote the Art and creativity:** The rural entrepreneurships are also give importance to rural and creativity by establishing cottage and household industries.
- 6. Avoiding Rural Urban migration:** Development of rural entrepreneurship helps to avoiding of moving of rural people to urban area.
- 7. Mobilization of capital:** It helps to collect savings from rural.
- 8. Promotion of export:** The rural entrepreneurship helps to increase export to other countries.

## CLASSIFICATION OF VILLAGE INDUSTRIES

- 1. Mineral based industries:** Industries which are using mineral like iron ore, manganese, bauxite, etc. as raw material is called mineral based industries.
- 2. Forest based industries:** Industries which are obtained their raw material from forest
- 3. Agro based industries:** Industries which are using sugarcane, cotton, wheat, grown dent etc. as raw material is called agro based industries.

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**4. Polymer and chemical based industries:** Those industries which are obtained polymer and chemical from rural and established industries in rural is called polymer and chemical industries.

**5. Engineering and non-conventional (modern technology) industries:** Industries which are manufacturing machine, tools and equipments with the help of modern technology.

**6. Textiles and Khadi industries:** Those industries which are manufacturing cloth are called textiles and Khadi industries.

**7. Service Industries:** Transportation, communication, Banking are called service industries.

## CATEGORIES OF RURAL ENTREPRENEURS

Several researchers have classified entrepreneurs in several ways. Clarence Danhof, an American anthropologist, based on his study of American Agriculture has classified entrepreneurs into four groups, who operate in different economic conditions. They are:

**1. Innovating Entrepreneurs:** who carry out new combinations of means of production and are found in developed countries.

**2. Imitating entrepreneurs:** who adopt technology and products already developed to serve their own interests. They are found in developing economies.

**3. Fabian Entrepreneurs:** who are risk averse and imitate new changes only when it is clear that their survival is in danger without doing so.

**4. Drone Entrepreneurs:** who are very conventional and not in favour of adopting any new change in their enterprise.

This classification is based on the traits possessed by entrepreneurs. The entrepreneurs with these characteristics may be found irrespective of the country and the sector of the economy. Even rural entrepreneurs may possess these traits and may be classified on the same lines. However, on the basis of the activities carried on by the rural entrepreneurs, they may be categorized as under.

**a. Agricultural Entrepreneurs:** Individuals whose primary occupation is agriculture are agricultural entrepreneurs In fact, in the later 18th century physiocratic economists called the

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agricultural Cultivators, as entrepreneurs. According to NP. Singh, the persons who do not have land or Other fanning resources but are willing to take up an enterprise in the village that will aid agriculture can also be regarded as farm entrepreneurs.

**b. Artisan Entrepreneurs:** Artisans are skilled persons working in villages. They are an important part of the village community. The Reserve Bank of India has identified more than 100 crafts pursued by artisans in villages. These entrepreneurs acquire their skills through professional training in association with their kinship group or through inheritance. Important classes among them are carpenters, blacksmiths, weavers, potters, etc.

**c. Merchant and Trading Groups:** The small segment of the rural community is engaged in business activities. They run petty shops, do commission business, buy the farmers products in the Village itself and sell in urban area for profit. This group was perceived to be traditionally exploitative class.

**d. Tribal entrepreneurs:** Tribal entrepreneurs are predominantly found in the tribal villages. They are so called because their source of origin is the tribal community. They could be regarded as an entrepreneurial class by itself. Traditionally they did not pursue any occupation and depended on forest produce for livelihood. Hence, whatever the occupation pursued by them is considered to be entrepreneurial.

**e. Other entrepreneurs:** The entrepreneurs who did not fall in any of the above mentioned categories may be in entrepreneurs.

## **RISKS FACED BY THE RURAL ENTREPRENEUR**

A rural entrepreneur faces the following risks. This information can be used to devise specific learning Opportunities in development of the villages

**1. Technical risks:** When-the individual does not know enough about the technical process, materials etc. and also when he does not know how to overcome these problems, he faces technical risks.

**2. Economic risks:** These are risks due to market fluctuations and changes in relation to raw materials and finished products. These are also the risk of Opportunity costs and alternative economic opportunities, mixes, finances etc.

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**3. Social risks:** Social risks are the risks inherent in the development of new relationships. When an individual starts a new activity he comes in contact with the people pursuing the same activity. He will also have to deal with supplies and buyers of this product. He is required to maintain certain form of relationship. Another social risk may lie in the village communities or castes or other castes perception of the new activity.

**4. Environmental risks:** These are risks arising from environmental changes. This is the outcome of his new activity. The villager has to deal with marketers with which he is entirely unfamiliar, the environment within which his total activity takes place changes. He is then subject to the risks inherent in dealing with unfamiliar people, cultures, rates of change systems etc.

These aspects of risks can be used as a framework for the development of strategies aimed at the deliberate creation of specific learning opportunities for the reduction of perceived risk. The other problems and difficulties faced by the rural entrepreneurship are discussed below.

**1. Financial problems:** inadequate finance is the major problems rural entrepreneurship. The credit provided by various institutional agencies such as banks and industrial development bank of India are inadequate to meet the requirements of rural entrepreneurship. The initial investment of rural entrepreneurship comes from relatives, friends, and non-banking and government sectors. It will not sufficient to install modern machinery and maintain well organized fully equipped sector.

**2. Lack of technical knowhow:** Most of the rural industries use only obsolete (old) and outdated technology and old machinery and equipment.

**3. Lack of training and extension services:** Rural entrepreneurs are untrained in technology and engineering. And they are imperfect knowledge of market conditions and lack of research knowledge.

**4. Management problems:** Rural entrepreneurs are facing problem of organization and execution of industries.

**5. Raw material:** Availability of required raw material is a great problem of rural industries.

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**6. Inadequate infrastructure facilities:** Shortage of power is one of the major problems of rural entrepreneurship.

**7. Lack of quality control:** The rural entrepreneurs are unable to produce quality of goods according to present needs and test of consumers. It causes to lose their consumers.

**8. High cost of production.**

**9. Lack of communication.**

**10. Lack of storage and warehouse.**

## **STRATEGIES FOR DEVELOPMENT OF RURAL ENTREPRENEURSHIP**

The problems and difficulties faced by the rural entrepreneurship are solved by the following measures and policy:

**1. Financial support:** The shortage of funds makes it difficult to install modern machinery and maintain well organized and fully equipped industries. Therefore government should provide required capital at lowest interest and financial institutions should apply liberal policy to advance for rural entrepreneurship.

**2. Providing raw material:** The shortage of right type of raw material at standard price affects the capacity utilization and production programme. The efforts should be taken by the government to provide adequate supply of raw material at right time.

**3. Providing modern infrastructure facilities:** The government should provide uninterrupted power, air transportation, road & railway transportation, Banking facilities, communication, water facilities, warehouse etc.

**4. Set up marketing Centre:** Local and national market should established throughout the country.

**5. Providing information and communication:** National and international related data and information (research data, market report, export policy, competition, competition etc.) should be provided to rural entrepreneurship.

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**6. Need to develop entrepreneur attitude and competition among the prospective entrepreneur:** Entrepreneurial talent exists in all sections of the society. A high level of entrepreneurship is found in developed economy. In developing countries, the level of entrepreneurship is low. Therefore entrepreneurial talent can be developed by motivating people and making them capable of observing and exploiting business opportunities. Planners and policy makers should formulate entrepreneur development programme for rural populations in the country.

**7. Providing entrepreneurial education:** Entrepreneurial development subject should be adopted as compulsory subject at school and colleges.

**8. Providing training to new entrepreneur:** The training programme should be arranged by government and non-government organization (NGO) to develop entrepreneur skill. Training should be including management of finance, marketing, production, stock control, cost control, labour laws and taxation.

**9. Active participation of non-government organizations (NGO's):** NGO's should be participated in training of rural entrepreneur. NGO's help to rural' young entrepreneurs in identifying talent and motivating them to become effective entrepreneurs. They give proper training. They provide necessary financial assistance etc.

## **IMPORTANT NON-GOVERNMENT ORGANIZATIONS (NGO's)**

### **1. TRYSEM (Training for rural youth for self-employment)**

It is for anti-poverty programme of the government of India and social organization. Its primary object is to develop entrepreneurial attitude among rural youth. Under this programme rural youth are trained for self-employment in the fields of Agriculture and Allied (related) activities, Industries and Services. The programme was started during 1979. It provides training to 9.38 lakhs rural youth.

#### **Basic components**

1. Training, motivation and skill

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2. Providing of credit facilities
  3. Identification of beneficiaries with entrepreneurial attitude.
  4. Identification of entrepreneurial opportunities.
  5. Sharing of risk of rural entrepreneurial
  6. Providing of subsidy
  7. Providing of marketing facilities to rural entrepreneurship
  8. Continuous monitoring (supervising) and follow up of operation and progresses of rural entrepreneurship.

## **2. National Alliance of Young Entrepreneurs (NAYE)**

It was created by public sector Banks such as Bank of India, Dena Bank, Punjab National Bank, Central bank of India and Union Bank of India. The main object of this organization is entrepreneurial development among youth.

### **Objectives**

1. Help young entrepreneurs in identifying investment and self-employment opportunities.
2. Providing training on technology.
3. Providing of financial assistance on the basis of project report.
4. Provide consultancy services
5. Help to entrepreneur in getting incentives from government.

## **3. Entrepreneurship Development Institute of India (EDII)**

EDII has been giving its attention on developing programme for new entrepreneurs. The institute has developed EDP for women and carried out experiments in rural industries.

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- 4. The National Entrepreneurship Development Board (NEDB)**
  - 5. Women Assembly of small and medium entrepreneur (WASME).**
  - 6. Xavier Institute for Social Studies (XISS)**
  - 7. Self Employed women Association (SEWA)**
  - 8. Association of Women Entrepreneurs of Karnataka (AWEK)**
  - 9. Rural Development and Self Employment Training Institute (RUDSETI's)**



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## **MODULE-4**

### **WOMAN ENTREPRENEURSHIP**

#### **WOMEN ENTREPRENEURS**

Women constitute about 50% of the world population. In traditional societies, they are confined to performing household activities. Hence women are generally called home makers. But today, in modern society, they have moved out of the house and are taking part in all areas of life. Today, the entrepreneurial world is open to the womenfolk. Thailand tops the list with 18.5% of women as entrepreneurs followed by India with 14.1% women entrepreneurs. Japan has the lowest rate of women entrepreneurs with just 0.6% women as entrepreneurs.

#### **CONCEPT OF WOMEN ENTREPRENEURSHIP**

According to the general concept, women entrepreneur may be defined as a women or a group of women who initiate, organize and operate a business enterprise.

The Government of India has defined a women entrepreneurship 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”.

Kerala Government defined women industrial units as units owned/ organized by women and engages in small scale and cottage industries with not less than 80% of the total workers as women.

Definition of ‘Women Entrepreneurs’ Enterprises is as follows: “A small scale industrial units/industrially related services or business enterprise managed by one or more women entrepreneurs in proprietary concerns in which she/they will individually or jointly have share capital of not less than 51% as partners/ shareholders / directors of private limited company, members of co-operative society”.

#### **TYPES OF WOMEN ENTREPRENEURS**

**1. Chance Entrepreneurs:** Women who start business by luck or accident without any preparation, clear goals or plan such entrepreneurs are called chance entrepreneurs.

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**2. Natural Entrepreneurs:** The entrepreneurs start business as a profession on their own by pre thinking and self-planning with clear goals.

**3. Created Entrepreneur:** These entrepreneurs are encouraged and trained by government and NGO's.

**4. Farced Entrepreneurs:** The women who are compelled (forced) to become entrepreneur by circumstances such as the death of father or husband or takeover the existing business are called forced entrepreneurs.

**5. Benami Entrepreneurs:** Women executing and controlling of industry on behalf of their husband or brother.

## **MOTIVATIONAL FACTORS**

1. Desire to become independent they wanted to become their own bosses and to maintain their own individual identity.

2. A strong desire to prove oneself, to accomplish something worthwhile.

3. To utilise the leisure time in a gainful way

4. Family background, which was entrepreneurial and supportive.

5. Lack of job satisfaction and having to say in decision making process.

6. Official advice and guidance from the Supporting agencies.

## **PROBLEMS ARE FACED BY WOMEN ENTREPRENEUR**

**1. No independence:** The primary problem of a woman entrepreneur is that of being a woman. She is considered subordinates to make in all walks of life. The basic ingredients such as independence and authority required for a successful entrepreneur are not adequate for woman for India.

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- 2. Social attitude:** Social attitude are equally responsible for keeping woman away from training and skill in rural areas, over bearing presence of eldercare strict the young girls from venturing out and very strict boundaries are drawn around their mobility
  - 3. Low literacy:** Low literacy level is women in carrying out their activity as entrepreneur. Female literacy percentage is 18.5% for India as a whole lack of education handicaps their grasps of technological and marketing knowledge
  - 4. Low risk bearing capacity:** Risk bearing capacity which is a crucial factor in running an entrepreneur is low among woman moreover the important act of losses are more reverse on woman since they lack sufficient social support
  - 5. Dual responsibility:** A woman has to perform responsibilities towards family. Society and work simultaneously consequently serious conflict emerges between good and work resulting in high stress inhibiting her success. Independence and progress
  - 6. Financial constraints:** The problem of finance of woman entrepreneur still remains a challenge. They lack access to external funds due to their inability to provide tangible security. Very few women have properly in their name
  - 7. Marketing problem:** The rural women entrepreneurs do not know as how to synchronize their products with products with market requirements they are unaware of enhancing the value of their products by way of furnishing. Packaging and advertising
  - 8. Limited mobility:** Women entrepreneur are handicapped by their inability to travel from one place to another for business reasons. Further the promulgating attitude of government official I.e. Licensing, authorities, labour officer's tax etc...
  - 9. Absence of entrepreneurial aptitude:** Women entrepreneurs have no bent of mind. It means that women entrepreneurs do not have aptitude i.e. interest in enterprise. The government has introduced so many programmes for development of women entrepreneurs. For example entrepreneurship development programme (EDP)
  - 10. Heavy competition:** Women enterprises face the heavy competition from organised industries, and male dominating society and industries.
  - 11. Family Bounding:** Women are supposed to look after the children, husband & other family members. It means women have to face conflict of performing role of such who as they not....To spend more with their families.

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**12. Lack of confidence:** Due to various restrictions imposed by our Indian traditional society, women entrepreneurs show an initial lack of confidence in their own abilities. The confidence level of motivation towards achievement further declines due to a low degree of acceptability & society's lack of confidence in women about abilities & strength as persons. Male members of the family are not giving financial & moral support in running the business.

**13. Delayed Decisions:** Women entrepreneurs do not take quick decisions for problems. Even they do not know how and where to approach to get solved their problems.

**14. Inadequate vocational & technical training:** Due to inadequate training for women entrepreneurs they select low technology projects. Thus large numbers of women entrepreneurs are engaged in traditional & conventional businesses.

**15. Traditions & customs:** According to Indian customs men are superior to women. Indian customs & traditions discriminate women from men. Generally husband or elder persons in a family do not allow women to venture.

## REMEDIAL MEASURES

**1. Vocational education:** The first measures would be to provide education, particularly vocational and technical education to girls. The curriculum should be restructured to include accountancy. Management, Computer science etc...

**2. Entrepreneurship motivation:** At school level the girls at the school should be inspired to adopt entrepreneurship generally, women drawn to become job seekers rather than job maker.

**3. Accessibility to Information:** All possible access information should be providing for women entrepreneur government agencies, association of women entrepreneurs. NGO's and universities should assume responsibilities in this regard.

**4. Separate publication:** Separate publication should be brought out and distributed to women entrepreneur on subsidized rate in order to create awareness and encourage them to Avail of the benefits offered to them.

**5. 100% finance:** Bank and financial institutions should offer 100% loans without collateral security to qualified technical. Similarly term loans and working capital loans should be sanctioned liberally on differential terms.

**6. Access to technology:** Access to technology is low for women entrepreneurs, Due to lack of finance and information. They cannot have proper tools and equipment to improve the product.

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**7. Simple formation:** Efforts should be made to simplify the procedures, formalities, rules and regulations etc., in matter regarding registration and getting assistance from different department and government agencies.

**8. Women cooperatives:** To meet the severe competition held out by big and small business women cooperatives may be formed to market the products. Rural market that nearly three fourth of the total consumer in India offer a vast scope for women entrepreneurs.

**9. Changing the social attitudes:** For the development of women entrepreneurs, social attitude should change. Generally a negative attitude should be changed into positive attitude towards women.

**10. Proper supply of raw materials:** Efforts should be made for the proper supply of raw material on priority basis, subsidy should be given, it helps for production of goods at competitive price and reasonable.

**11. Concessional rate of interest:** Banks and financial estate for women should be established, for the encouragement of the women entrepreneurs.

## **MEASURES TAKEN FOR THE DEVELOPMENT OF WOMEN ENTREPRENEURSHIP IN INDIA**

Women empowerment should be one of the primary goals of a society. Women should be given equality, right of decision-making and entitlements in terms of dignity. They should attain economic independence. The most important step to achieve women empowerment is to create awareness among women themselves. Development of women can be achieved through health, education and economic independence. Realizing the importance of women entrepreneurs, Govt. of India has taken a number of measures to assist them. Some of the important measures are outlined as follows:

**1. TRYSEM:** Training of Rural Youth for Self-Employment was launched on 15<sup>th</sup> August 1979 which is still continuing. The objective of TRYSEM is to provide technical skills to rural youth between 18 and 35 years of age from families below the poverty line to enable them to take up self-employment in agriculture and allied activities, industries, services and business activities. This is a sub scheme of IRDP. Training given through ITIs, Polytechnics, Krishi Vigyan Kendra,

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Nehru Yuva Kendras etc has helped many rural women set up their own micro enterprises with IRDP assistance.

**2. Banks:** Banks particularly commercial banks have formulated several schemes to benefit women entrepreneurs. These includes Rural Entrepreneurship Development Programmes and other Training programmes, promotion of rural non-farm enterprise, women ventures etc.

**3. NABARD:** NABARD as an apex institution guides and assists commercial banks in paying special attention to women beneficiaries while financing. It has also been providing refinance to commercial banks so as to help the latter institutions to supplement their resources which could be deployed for the purpose of financing women beneficiaries.

**4. Industrial Policy:** The new Industrial policy of Government has specially highlighted the need for conducting special entrepreneurship programme for women.

**5. Institutions and Voluntary Association:** Several voluntary agencies like **FICCI Ladies Organization (FLO)**, **National Alliance of Young Entrepreneurs (NAYE)** and others assist women entrepreneurs. *NAYE* has been a leading institution engaged in the promotion and development of entrepreneurship among women. It convened a conference of women entrepreneurs in November 1975. It assists the women entrepreneurs in:

- i. Getting better access to capital, infrastructure and markets.
- ii. Identifying investment opportunities.
- iii. Developing managerial and productive capabilities.
- iv. Attending to problems by taking up individual cases with appropriate authorities.
- v. Sponsoring participation in trade fairs, exhibitions, special conference etc.

**6. National Policy for The Empowerment of Women, 2001:** As to the commitments made by India during the Fourth World Conference on women held in Beijing during September, 1995, the Department of women and children has drafted a national policy for the empowerment of women. This is meant to enhance the status of women in all walks of life at par with men.

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## ASSISTANCE TO WOMEN ENTREPRENEURS

Entrepreneurship does not differentiate the sex. A number of facilities and assistance are offered to the entrepreneurs. However, certain additional incentives or facilities offered to women entrepreneurs are discussed as follows.

**1. Small Industrial Development Organization (SIDO):** SIDO through a network of SISIs conduct the EDPs exclusively for women entrepreneurs. The aim is to develop entrepreneurial traits and qualities among women and enable them to identify entrepreneurial opportunities etc.

**2. National Small Industries Corporation (NSIC):** The H.P. scheme of NSIC provides preferential treatment to women entrepreneurs. It also conducts Entrepreneurs and Enterprise Building programmes for women.

**3. Industrial Development Bank of India (IDBI):** The schemes of IDBI for women entrepreneurs are summarized as follows:

Promoter's Contribution: The IDBI set up the **Mahila Udyan Nidhi (MUN)** and **Mahila Vikas Nidhi (MVN)** schemes to help women entrepreneurs. IDBI conduct programmes of training and extension services through designated approved agencies and association with other development agencies like EDII, TCOs, KVIC etc.

**4. Small Industries Development Bank of India (SIDBI):** SIDBI has special schemes for financial assistance to women entrepreneurs. It provides training and extension services. It gives financial assistance at concessional terms in setting up tiny and small units.

**5. Commercial Banks:** The *“Sthree Shakthi Package Scheme”* of SBI provides a package of assistance to women entrepreneurs. The consultancy wings of SBI give guidance on project identification and project viability. The program of assistance such as repair and servicing, photo copying, dry cleaning, retail trade business enterprises, poultry farming, tailoring etc. The Bank of India has introduced a scheme known as ‘Priyadarshini Yojana’ to help women entrepreneurs.

**6. Kudumbasree Units:** With the objectives of poverty eradication and women empowerment Kudumbasree has been introduced in Kerala. The poor women are organised into community-based organisations. They start and operate micro enterprise. They earn income through self-employment.

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## MODULE-5

### CONCEPTUAL MODELS OF ENTREPRENEURSHIP DEVELOPMENT

#### JOHN KAO'S MODEL OF ENTREPRENEURSHIP

John Kao has developed a conceptual model of entrepreneurship. As shown in the figure, four factors are involved in entrepreneurship development. They are: The person, the task, the environment and the organisation. Let us understand them briefly.

**1. The person:** The individual is the key figure in entrepreneurship. He is a creative personality and makes things happen. Entrepreneur has distinct personality, certain skills and experience and he has motivation. The success of entrepreneurial venture depends largely on the personality of the entrepreneur. Entrepreneur requires a variety of skills ranging from intuition to analytical ability. He was motives which drive him towards a particular goal.

**2. The task:** An entrepreneur has to perform several tasks. First he has to perceive opportunity and then bring together necessary resources to give life to the idea. He has to provide leadership. His leadership qualities will attract and retain people with him.

**3. The Environment:** Entrepreneur and his organisation are part of the environment. The environment influences, facilitates or hinders the growth of entrepreneurship and the viability of the enterprise. He draws resources from the environment, and his output goes to the environment. There are other supporting institutions in the environment. The environment consists of several elements such as economic, some-cultural, and political. Legal and others. The entrepreneur will keep on acting and reacting to various environmental changes. He tries to understand the environment well.

**4. The organisation:** The entrepreneur builds the organisation and his creative work takes place in it. It includes the organisation structure, rules, policies, culture, human resource systems and communication systems the organisation should fit best with personal vision with the key tasks to be performed and with the environment



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## UDAI PAREEK AND NANDKARNI MODEL OF ENTREPRENEURSHIP DEVELOPMENT

Pareek and Nadakami have identified four sets of factors that influence development of entrepreneurship. They are.

**I. The Individual:** The individuals generate entrepreneurship in a society, they initiate, establish, maintain and expand enterprises and make the enterprise a success. The factors in individuals that are found to be of relevance to entrepreneurship development are:

**(a) Motivational Factors:** They are considered to be crucial to entrepreneurship. The major elements of motivational factors are:

(i) Individuals need for achievement

(ii) Personal efficiency

(iii) Coping capability

**(b) Skills:** An entrepreneur needs several skills which constitute an important contributing factor to entrepreneurship

(i) Skills in product identification and Project development,

(ii) Management skills, Let, accounting, financial control, marketing, production, planning and inventory control, and

(iii) Enterprise building.

**(c) Knowledge:** Knowledge in the areas of industry, technology and general economic and political environment

**II. Socio-cultural Factors:** It is observed that individuals grow in the traditions of their families and the society, and internalize certain values and norms from these sources. Since these values and norms get filtered through the individual whom it seeks to influence they have indirect influence on entrepreneurship. The factors are.

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- (a) Family expectations and pressures:
  - (b) Risk-taking;
  - (c) Self-reliance,
  - (d) Value to work with One's own hand; and
  - (e) Value given to work.

**III. Support System:** Efficient and effective support system such as financial institutions, agencies set-up for development of entrepreneurship, non-governmental agencies and educational institutions concerned with the promotion of entrepreneurship, development administration in the district, contribute to a very great extent to the success of an entrepreneur. Quite often entrepreneurs come into contact with these support systems. The way these systems functions may encourage or discourage them. Hence, the style of functioning of these systems is crucial factor in promoting entrepreneurship.

**IV. Environment:** This refers to economic and political philosophy of the government and consequential encouragement generated and opportunities available in a society as a result of such policies. Even though entrepreneurship is viewed here a dependent variable with all the four sets of factors influencing and contributing to, it may be noted that the individual the environment, and support systems are considered to influence entrepreneurship directly; socio-cultural milieu contributing through the individual. In evolving a training strategy for the development of entrepreneurship, these factors have more relevance

## **NISIET MODEL OF ENTREPRENEURSHIP DEVELOPMENT**

A conceptual model of entrepreneurship development worked out at National Institute for Small industries, Extension and Training, Hyderabad, involves various activities of organisations concerned with the task of entrepreneurship development. These activities are conveniently grouped under three categories, and these follow, a cycle form. They are:

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1. Stimulatory activities
  2. Support activities, and
  3. Sustaining activities

### **(1) Stimulatory activities**

The stimulatory activities refer to all such activities that stimulate entrepreneurship in any society. They are: entrepreneurial education, planned publicity about entrepreneurial opportunities, identification of potential entrepreneurs in a given area, motivating them by providing economic insight and managerial skills through training, helping entrepreneurs select new products and develop project feasibility reports, setting up of local agencies with fully trained personnel for entrepreneurial motivation and counselling, Creating forums of entrepreneurs to discuss their mutual problems and Successes, and finally creating conditions where entrepreneurs get due recognition. These activities are intended to generate initial motivation, help people to perceive incentives and also to provide an Opportunity to acquire skills. Thus, ensure emergence of entrepreneurs in a society.

1. Impart Entrepreneurial Education.
2. Make Planned Publicity for Entrepreneurial opportunities.
3. Identify potential entrepreneurs through scientific methods.
4. Impart Motivational Training to new entrepreneurs.
5. Help and guide in selecting product and preparing project reports.
6. Make available techno-economic information and product profiles.
7. Evoke new products and processes suitable to the local situation.
8. Set up local agencies with trained personnel for entrepreneurial counselling.
9. Organize entrepreneurial forums.
10. Create situations where entrepreneurs get due recognition.

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## **(2) Support activities**

These activities that help the entrepreneurs in establishing and running their enterprises are called support activities. These include registration of the unit, arranging finance, provision of infrastructural facilities like land, shed, power, water, etc, guidance for selection of plant and machinery, process and technology, supply of plant and machinery, raw-materials, provision of common facilities, marketing assistance, granting tax relief. etc and firmly providing information related to the industry. These activities are expected to nurture and help entrepreneurship grow and survive after it has been stimulated. They should see that sickness is avoided in the enterprises.

1. Registration of unit
2. Arrange finance
3. Provide land, shed, power, water, etc.
- 4 Guidance For selecting and obtaining machinery
5. Supply of scarce raw material
6. Obtain licenses/import license.
7. Provide common facilities
8. Help in getting tax relief or other subsidies
9. Offer management consultancy
10. Help in marketing product
11. Provide information

## **3. Sustaining activities**

Setting up of an enterprise is not enough. It should run profitably, efficiently and continuously. Sustaining activities ensure this. The small industries are susceptible to a variety of vagaries. They may suffer closure, even though well managed, for want of raw-materials,

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availability of Substitute and change of skilled hand. One of the main objectives of promotional agencies is to prevent sickness and closure through sustaining activities. They may include modernization, diversification, expansion/substitute for production; additional financing for full capacity utilization; help and guidance in diagnosing quality testing facilities; etc. Each group of activities is highly interacting, supplementary and crucial to other. Neglect of any group of activities would be a stumbling block in entrepreneurship development

1. Help modernizations
2. Help diversifications/expansion/substitution production
3. Provide additional finance for full capacity utilisation
4. Arrange for deferring repayment/interest
5. Provide diagnostic industrial extension/consultancy service
6. Bring about modification /change/ in legislation policy affecting the unit
7. Introduce and increase product reservation/ create new avenues for marketing
8. Provide quality control and improve services
9. Improve need-based common facilities centres.

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## **MODULE-6**

### **ENTREPRENEURIAL DEVELOPMENT PROGRAMMES**

Entrepreneurs are inspired people. They are motivated skilled adventurers. Entrepreneurs are not necessarily born. They can also be developed through education training and experience. Entrepreneurial talent exists in every society and in all sections of the society. The social-economic environment finds the emergence of entrepreneurial talent. Entrepreneurial development seeks to provide constructive direction for those who choose a career path different from traditional roles.

Entrepreneurship development is a prerequisite for overall economic development of any country. The growth of a nation depends upon the skilled entrepreneurs. But the supply of entrepreneurial talent depends upon the business and industrial climate prevailing in the country. "It is common experience anywhere that entrepreneur is a scarce but most important agent of economic development of any country. The supply of entrepreneurs always lags behind the need generated by the requirements of development efforts. It is believed that in India a tremendous entrepreneurial talent exists which if properly developed and motivated, can help accelerate the pace of socio-economic development. Today, entrepreneurial development programmes (EDPs) for various target groups of population in the country are being offered by a large number of organizations with a view to utilize the entrepreneurial ability for the progress of the country.

#### **MEANING AND DEFINITION**

Entrepreneurial development is an act of encouraging people for entrepreneurial career and making them capable of exploiting business opportunities. It is not simply a training task. It is the act of motivating and developing skills of potential entrepreneur and helping them in developing their own ventures.

According to Prof. Pareek and Nadkarni, "Operationally, entrepreneurship development would mean development of entrepreneurs and promotion of increased flow of individuals to entrepreneurial ranks."

In addition, entrepreneurial development (EDP) may be defined as "a programme designed to help an individual in strengthening and fulfilling his entrepreneurial motive and in

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acquiring skills and capabilities necessary for playing his entrepreneurial role effectively.”” To achieve this object, it is necessary to promote his understanding of motives, motivation pattern, their impact on behavior and entrepreneurial value.

## **NATURE OR CHARACTERISTICS OF EDP**

1. Entrepreneurial development is essentially an educational process.
2. It is an Endeavour in human resource development.
3. It is an organized and systematic development.
4. It is regarded as tool of industrialization and a solution to unemployment problem.
5. An EDP is based on the belief that individuals can be developed, their outlook can be changed, and their ideas can be converted into action through training.
6. It is based on entrepreneurial motivation.
7. EDP is primarily meant for developing those first generation entrepreneurs. Who on their own cannot become successful owners of enterprises
8. It is a continuous process of training and motivation to set up enterprises it cannot create magical result.
9. It is not totally based on training. The whole process extends much beyond training much of it is personal counseling and support.
10. Environment factor also play a very crucial role in the success of EDP. Hence, EDP conducting agencies and trainers alone cannot develop entrepreneurs.
11. The quantitative craze and emphasis on statistical output have forced manipulations in EDPs. The impact and quality of the programmer (EDP) matters more than the number.
12. Most EDPs are State-sponsored.
13. The EDP’s uniqueness lies in its integrated approach, which provides instructions, counseling, motivation and all-round facilities.
14. EDP has emphasis on operational rather than academic training.
15. It is adapted to local needs.
16. It is catalyst for developing industry and economic programmes.

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## **RATIONALE OF EDP**

Entrepreneurial development programme is an effective way to develop entrepreneurs which can help accelerate the pace of socio-economic development, balance regional growth, exploitation of locally available resources. It can also create gainful self-employment. An EDP equips entrepreneurs and makes them competent to anticipate and deal with a variety of problems that any entrepreneur may have to face. It gives confidence to the entrepreneurs to face uncertainties and take profitable risks; it prepares them to deserve and make good use of various forms of assistance. EDP can be beneficial in the following ways:

1. Economic Growth
2. Balanced Regional Development
3. Eliminates Poverty and Unemployment
4. Optimum Use of Local Resources
5. Solves Industrial Problems
6. Defuses Social Tension
7. Development of Backward and Tribal Areas
8. Successful Launching of New Units
9. Improves Standard of Living
10. Fulfillment of Dreams

## **NEEDS AND OBJECTIVES OF EDP**

It is a programme designed to help a person in strengthening his entrepreneurial motive and in acquiring skills and abilities necessary for playing his entrepreneurial role effectively. Developing entrepreneurial motives and skill and helping to play the role of entrepreneur effectively are the aims of EDPs. Objectives:-

1. To identify and train potential entrepreneur
2. To impart basic managerial understanding
3. To develop necessary knowledge and skills among the participants
4. To provide post training assistance
5. To formulate the effective and profitable project
7. To prepare the entrepreneur to take strategic decision
8. To transform the Indian economy into an industrial economy



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9. To develop in entrepreneur, the art of communication and coordination
  10. To attract entrepreneurial talent in backward and areas

The above objectives are classified into following classification

**A. The main objective of EDP is:**

1. To identify potential entrepreneur and train them
2. To impact basic managerial understanding
3. To provide post training assistance

**B. The other objectives:**

1. To strengthen their entrepreneurial quality
2. To select projects
3. To formulate projects
4. To acquire basic management skills
5. To know and appreciate social responsibility

**C. Macro level objectives:**

1. To attract entrepreneurial talent to the backward and rural areas
2. To develop entrepreneurial culture in the non-conventional group
3. To increase the national income
4. To reduce the income inequalities
5. To utilise the untapped productive resources
6. To build a force of well-trained entrepreneur
7. To transform the Indian economy into an industrial economy

**D. Micro level objectives:**

1. To motivate the participants to choose entrepreneurial careers
2. To guide them to tap the business opportunities and select a product
3. To inform them about government schemes, incentive, facilities
4. To help the entrepreneur in the preparation of a project report
5. To help the entrepreneurs in launching the enterprise

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### **E. Short term objectives:**

1. Preparing a person mentally for the entrepreneurial venture
2. Making him competent to analyse the environment and situation
3. To help a participants in the fixation of goal as entrepreneur

### **F. Long term objectives:-**

1. To enlarge the supply of entrepreneur for rapid industrial development
2. To industrialise rural and backward regions
3. To provide with gainful employment to educated
4. To diversify the sources of entrepreneurship
5. To improve the performance of small industries

## **PHASES OF OR STAGES OF EDP**

Entrepreneurial development programme is a wide Endeavour which is related to develop various entrepreneurial traits, skills, attitudes, motives, vision, and capabilities necessary for playing entrepreneurial role effectively. It consists of five broad phases of stage described below:

- I. Initial Preparations
- II. Identification and Selection of Potential Entrepreneurs
- III. Training and Development Phases
- IV. Monitoring and Follow-up
- V. A brief description of each stage is given below:

### **I. Initial Preparations:**

This phase includes the preparatory activities required to launch the training programme This comprises the following:

1. Pre-potential survey of environmental opportunities.
2. Publicity campaign for the programme.
3. Creation of infrastructure for training.
4. Laying down policy issues related to the objectives of the programmes.
5. Determining criteria of success, recruitment, selection, and training of trainers.
6. Development of training materials.

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7. Tie-up of guest faculty.
  8. Arrangement for inauguration of the programme.
  9. Designing tools and techniques for selecting the trainers.
  10. Formation of selection committee.
  11. Development of application form.
  12. Survey of viability of the programme.

## **II. Identification and Selection of Potential Entrepreneurs:**

The most important step in the EDP is the proper identification and selection of potential entrepreneurs. A selection of unsuitable person may be a national waste of money and time as well as a disservice to the person concerned. His failure in business would result not only in loss of morale and prestige but also in wastage of productive resources. This may also create a pessimistic environment towards productive resources; this may also create a pessimistic environment towards entrepreneurship.

**A. Identifying Entrepreneurial Traits:** A candidate must have a minimum level of eligibility to become an entrepreneur. He should possess certain entrepreneurial traits described below :

- 1. Family background:** It must be related with trade, business, or occupation. Family members should have entrepreneurial awareness.
- 2. Age: Younger** people are more successful entrepreneurs. They can start risky ventures.
- 3. Education:** To perform certain functions of office and meeting officials, a minimum level of education is essential.
- 4. Ability to influence:** He should have good financial support and working hands to depend upon.
- 5. Family resources:** The candidate should have good financial support and working hands to depend upon.
- 6. Achievement motivation:** It includes both personal achievement and social achievement.
- 7. Risk taking willingness:** It is the ability to seek challenge in entrepreneurial job.
- 8. Influence ability:** It is the ability and desire to influence other people and the surrounding environment. It is a Personal efficacy.
- 9. Aspirations:** These are the ambitions of people concerning the future level of achievement.

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**10. Flexibility:** It is the ability to change if the situation so demands.

**11. Analytical ability:** It is the ability to analyse the problems before making decisions.

**12. Planning skill:**

**B. Identification of Enterprise:** When an entrepreneur having necessary qualities is identified, it is necessary to identify a suitable enterprise or project for him. The project must be matched with the liking, willingness and required skills of the potential entrepreneur. For selecting the project for him, all the background information like his skills, experience in the field, the physical resources available, family occupation, etc. should be taken into consideration, the viability of trade in terms of financial implications should be examined also, the availability of raw materials, the sales avenues, and profitability of the enterprise have to be explored.

**C. Target Group:** It is the group of persons for whom the EDP is designed and undertaken. Since every target group has its own needs and constraints, the largest group to be trained must be clearly defined an entrepreneurial development programme may be organized for any of the following target groups.

1. Technical Persons:
2. Ex-servicemen:
3. Business Executives:
4. Women Entrepreneurs:
5. Backward Castes Entrepreneurs:
6. Rural Entrepreneurs:
7. Unemployed Educated Youth:

### **III. Training and Development Phase**

EDP training helps the entrepreneur in preparing feasible and viable projects, in enhancing the skills, in taking suitable decisions, and in motivating them to become self-employed. Once the suitable candidates are identified, they have to be equipped with managerial and technical skills to start the enterprise, since the candidates have a variety of

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backgrounds and qualities; they need a training programme of varied contents. The contents of the training should include the following:

1. General Principles of Entrepreneurship
2. Motivational Training:
3. Technical Knowledge:
4. Managerial Skills:
5. Project Formulation:
6. Structural Arrangement:
7. Market Survey:
8. Support Systems and Procedures:
9. Factory Visits and In-Plant Training:

#### **IV. Support Systems**

After getting training and equipping himself with the requisite skills, the participant feels competent to set up his own enterprise. In order to start his New venture, he requires assistance and support of many agencies which supply raw materials, tools, equipments venture capital, finance and other facilities and services, these agencies help the entrepreneur to materialize his ideas and projects. Support systems form an important part of the EDP. Credit service and implementing institutions form the backbone of EDP. The supporting institutions provide strength and co-ordination to EDP. In order to promote entrepreneurs in the country, it is necessary to develop various support systems at least in the initial stage of growth. The support system is essential to mobilize the entrepreneurial resources and inputs. These systems nurture the growth of entrepreneurs.

#### **V. Monitoring and Follow-up**

A system of continuous monitoring and follow and follow-up is a must for the success of any entrepreneurial development programme. It must be built-in every stage of EDP. It is the mechanism through which defects and irregularities can be identified and removed. To be effective, the monitoring procedure should not be bureaucratic.

Some activities relating to the monitoring and follow-up process are as follows:

1. Maintaining the bio-data file and various records for each trainee.

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2. Keeping the various records on written tests and interviews at various stages of training and post-training.
  3. Preparing a file and record of work performance of each entrepreneur.
  4. Maintaining contacts with every entrepreneur through letters.
  5. Remitting the required information to the entrepreneur well in time.
  6. Visiting the industrial unit or enterprise of every entrepreneur periodically.
  7. Keeping follow-up meeting and a follow-up register.
  8. Knowing about progress of self-employment job of every entrepreneur.
  9. Knowing about the repayment of loans take by entrepreneurs.
  10. Knowing about the coordination between entrepreneur and support system agency.
  11. Asking about the progress report of entrepreneurs“ venture and his further projects.

## **CRITICAL EVALUATION OF EDP IN INDIA**

The present growth and success of EDPs in backward areas is far from satisfactory. It is observed that efforts made by various institutions have been limited and somewhat haphazard. The programmes conducted by various agencies vary in duration, selection procedures, and course contents etc. The contribution of EDPs has been very uneven among various areas and State.

EDPs are presently operating only in few states. In rural areas, their operations are not satisfactory and up to the mark. Even within industrially developed state, there many areas which have remained backward. The reasons for this slow growth have been the environmental factors such as adverse terrain, soil, climate etc., and lack of entrepreneurial spirit.

1. Lack of Co-ordination
2. Inappropriate Support system
3. Costly Affair
4. Not Catered to our Needs
5. Lack of Innovative Functions
6. Improper Selection of Projects
7. Poor Financial Management
8. Non-Availability of Inputs
9. Shortage of Technical Manpower

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10. Unsatisfactory Infrastructure Facilities
  11. Delays in Project Implementation
  12. Multiplicity of Government Agencies
  13. Dependency upon Middlemen

## **SUGGESTIONS TO MAKE EDPs MORE EFFECTIVE**

Entrepreneurial development programme is an important innovative strategy for developing human resources. In spite of above weaknesses, the agencies are doing their sincere efforts to publicize the EDP to first generation entrepreneurs. The following suggestion can improve the viability of EDPs.

1. Effective Composition
2. Practical Content
3. Effective Support Services
4. Proper Selection of Entrepreneurs
5. Inter-disciplinary Approach
6. Ensuring Commitment
7. Conceptual Clarity
8. Facilities and Inputs
9. Trainer's Role

## **NEED AND IMPORTANCE OF GOVERNMENT'S ROLE**

The need for providing assistance and incentives to entrepreneurs arises due to the following reasons:

1. To encourage entrepreneurs to undertake new ventures.
2. To develop their units in backward areas.
3. To promote balanced regional development and to ensure uniformity in the development process of all regions.
4. To develop first generation entrepreneurs to work for industrial development of the country.
5. To improve the competitive strength of entrepreneurs to face competitive environment of the industry.

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6. To remove impediments and economic constraints in the way of entrepreneurial development.
  7. To create motivational force to improve productivity of entrepreneurs.
  8. To initiate expansion and modernization programme.
  9. To accelerate the process of industrialization.
  10. To build infrastructural facilities for setting up units.

### **Government role in the form of assistance and incentives:**

The Government plays a vital role in entrepreneurial development by providing the following types of assistance and incentives:

#### **I. Government Assistance:**

1. Technical Assistance
2. Assistance of obtaining raw material
3. Cash Assistance
4. Supply of plant and machinery on hire-purchase basis
5. Marketing Assistance
6. Assistance to small entrepreneurs
7. Rural Industrial Project Assistance

#### **II. Government Incentives:**

1. Subsidy relating to Investment
2. Export/Import Subsidies and Bounties
3. Subsidy relating to Research and Development
4. Subsidy relating to Taxes
5. Subsidy relating to Resources
6. Capital Subsidy Scheme for Technology Up gradation
7. Excise Duty Exemption

#### **III. Government Schemes for Infrastructure:**

1. Industrial Estates Programme
2. Integrated Infrastructural Development Scheme
3. Small Industry Clusters



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4. Industrial Growth Centers Scheme
  5. Export Processing Zones
  6. Industrial Parks

#### **IV. Other Roles for Government:**

All the above points are discussed below in brief:

1. Investment Promotion and Infrastructure Development Cell
2. Technological Development Fund Scheme
3. Entrepreneur Assistance Unit
4. Indian Institute of Entrepreneurship, Guwahati
5. Entrepreneurship Development and Management development Programmes
6. National Entrepreneurship Development Board (NEDB)

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## MODULE-7

### PROJECT MANAGEMENT

A Project simply means an investment opportunity exploited for profit. It is an idea or plan which is intended to be carried out or a finite task to be completed.

In the words of Gillinger “Project is a whole complex of activities involved in using resources to gain benefits”. The World Bank defines a project as ‘an approval for a capital investment develops facilities to provide goods and services’.

#### CHARACTERISTICS OF PROJECT

A project is undertaken to achieve a purpose. The following are the characteristics of a project.

1. A project involves investment of money and money's worth.
2. The objective of a project is to earn profit.
3. It is concerned with production of goods and services.
4. Every project has risk and uncertainty associated with it.
5. It has a fixed set of objectives.
6. It is subjected to a lot of change.
7. It has a definite beginning and an end.
8. It has a life cycle reflected by growth, maturity and decay.
9. It is combination of various elements such as technology, equipment, materials, machinery and people.
10. A project requires team work.

#### CLASSIFICATION OF PROJECTS

The different classifications are explained below:

**1) Quantifiable and Non-Quantifiable Projects:** Quantifiable projects are those in which quantitative assessment of benefits can be made. Projects for industrial development, power generation, mineral development etc. fall under this category. Non quantifiable projects are those in which the benefits cannot be measured quantitatively. Projects involving health, education and defence fall under this category.

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**2) Sectoral Projects:** According to planning commission of India, a project may fall in the following sectors:

1. Agriculture and allied sector.
2. Irrigation and power sector.
3. Miscellaneous sector.
4. Transport and communication sector.
5. Industry and mining sector.

This classification is useful for resources allocation at macro levels.

**3) Techno-Economic Projects:** Projects may be classified into the following three groups:

**A. Factor Intensity Oriented Classification:** Project may be classified as Capital intensive or Labour intensive. If large investment is made in plant and machinery the project will be called Capital intensive. If large investment is made in human resources, the projects will be termed as Labour-intensive.

**B. Causation Oriented Classification:** It is classified as demand based or raw material based projects. If a project is started by an entrepreneur due to non-availability of certain goods or services and consequent demand for such goods or services the project is said to be based on demand. If project is started by an entrepreneur simply because of the availability of certain raw materials, skills or other inputs, the project is said to be based on raw material.

**C. Magnitude Oriented Classification:** The size of investment forms the basis of classification. May be classified as Large-scale, Medium-scale and Small-scale.

**4) Financial Institutions Classification:** The projects are classified according to their age and experience and the purpose for which the project is being taken up. They are as follows:

**A. Profit Oriented Projects:**

1. New projects.
2. Expansion projects.
3. Modernization projects.
4. Diversification projects.

**B. Service Oriented Projects:**

1. Welfare projects.

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2. Service projects.
  3. Research and development projects.

#### **5. According to the Urgency of The Execution:**

**A. Normal Projects:** In this type of project adequate time is allowed for implementation. This type of project will require minimum capital cost.

**B. Crash Projects:** Additional capital costs are incurred to save time. It is normally achieved in procurement and construction where time is brought from vendors and contractors by paying extra money to them.

**C. Disaster Projects:** Vendors who can supply within a very short time are selected irrespective of the cost. Naturally capital cost will go up very high but projects time will get much reduced.

### **PROJECT LIFE CYCLE**

The project is initiated to achieve a mission and is said to be completed when the mission is achieved. The project lives between these two cut off periods and this intermediate time is called Project Life Cycle. Project life cycle consists of the following three stages:

**1. Pre-Investment Phase:** It is concerned with formulation of objectives, demand forecasting, evaluation of input characteristics, selection of strategy, projections of financial profile, cost benefit analysis and finally pre-investment appraisal. Some expenditure has to be incurred in the form of conducting surveys, feasibility studies etc.

**2. Construction Phase:** This stage consumes maximum expenditure. Construction phase consists of developing the infrastructure for the project. The capital requirement includes cost on land, buildings, civil works, machinery equipment, ancillaries etc.

**3. Normalization Phase:** The primary objective of this stage is to produce the goods and services for which the project was established. The expenditure has to be incurred on raw materials, fuel, utilities, and administration and operation maintenance. Etc.

According to Cleland and King a project passes through the following phases:

1. Conception phase.
2. Definition phase.
3. Production.
4. Observation.

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5. Divestment.

6. Post-Mortem.

The following figure model of the project life cycle that is suitable for any type of project.

## PROJECT MANAGEMENT

Project management is the process of planning, organizing, monitoring and controlling of all aspects of a project and motivating all involved to achieve project objectives of safety and completion within a defined time, cost and performance. Harson has defined project management as, "the achievement of a project's objectives through people, and involves organizing, planning and control of the resources assigned to the project together with the development of constructive human relations with all those involved, both in company and with the other companies involved".

## PHASES OF PROJECT MANAGEMENT

It consists of the following stages:

- 1. Project Identification:** It refers to identification of business/investment opportunities. It involves scanning of the environment to find out investment opportunities.
- 2. Project Formulation:** It is the translation of the idea into concrete project with scrutiny of its important preliminary aspects.
- 3. Project Appraisal:** It involves searching, scrutiny, analysis and evaluation of market, technical, financial and economic variables. It examines the viability of the project.
- 4. Project Selection:** It is the process of choosing a project rationally in the light of objectives and inherent constraints on the basis of appraisal.
- 5. Project Implementation:** It is the stage of birth of an enterprise. At the end of this stage, the idea becomes a reality.
- 6. Project Follow Up and Evaluation:** It is the process of assessing the performance of the project after it started functioning. Project evaluation simply means assessing the progress of the project.

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## OBJECTIVES OF PROJECT MANAGEMENT

The ultimate objective of project management is to attain the objectives for which the project has been undertaken. The other objectives of project management are as follows:

1. To achieve maximum productivity at minimum cost.
2. To maximize income and return.
3. To minimize risk and uncertainty.
4. To eliminate waste and improve efficiency.
5. To make the most efficient and effective use of resources- manpower, money, materials, technology etc.

## ROLES AND RESPONSIBILITIES OF PROJECT MANAGER

The following are the roles and responsibilities of a project manager:

1. Managing personnel.
2. Satisfy government, customer, promoters and public.
3. Coordinating and integrating activities across multiple functional lines.
4. Defining and maintaining the integrity of the project.
5. Setting targets and development of systems and procedures for accomplishment of project objectives.
6. Developing project execution plan.
7. Coping with risk associated with project management.
8. Managing human interrelationships.
9. Maintaining the balance between technical and managerial project functions.

## NEED OF PROJECT MANAGEMENT

The need for project management arises due to the following reasons:

1. **Complexity of Project:** Project involve time, effort, money etc. If there is any fault in planning or implementation of projects, the resources put in the projects would be a waste.
2. **Achievement of Objectives:** Unless projects are managed well, the objective for which the projects are undertaken cannot be achieved.

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**3. Environmental Changes:** A project should be well equipped to meet the environmental challenges. The success of the project depends upon how the project is able to cope with the changing environment.

**4. Competition:** To face out the competition provision of a good or a service is not sufficient. It must provide a package which meets an entire need rather than just part of that need.

**5. Constraints:** The constraints relate to time, materials, demand, labour etc. The success of a project depends on how well it is possible to manage the so called constraints.

**6. Risk and Uncertainty:** At every stage of project life cycle there are challenges and problems. As the project moves new challenges and problems may arise. The risks and uncertainties cannot be eliminated but can be minimized through proper management of project.

**7. Time Overrun and Cost Overrun:** If a project takes more time than the scheduled time, it is known as time overrun. If a project incurs more costs than budgeted, it is called cost overrun.

**8. Project Control and Evaluation:** It is done either at the end of the project or few years after the completion of the project. This enables to learn lessons from the projects.

## **GENERATION OF PROJECT IDEAS**

It is the process of collection, compilation and analysis of economic data for the purpose of finding out possible opportunities for investment and with the development of the characteristics of such opportunities. Emergence of project ideas from different sources is called generation of project ideas. The idea should be sound and workable, so that it may be exploited. The entrepreneur has to be imaginative and foresighted to discover a business/Project idea.

### **A. Sources of the Project Ideas:**

The business idea arises from an opportunity in the market. Entrepreneurs should have a keen and open mind to look for opportunities and generate business ideas. It is not a matter of analysis but of instinct. Ideas come from many sources. Some of the sources are as below:

1. Our own needs
2. Trade and professional journals.
3. Project profiles.
4. Trade fairs and exhibitions.
5. Success stories of friends and relatives.

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6. Prospective consumers.
  7. Research organization.
  8. Utilization of waste materials.
  9. Study of government policy.
  10. Development of other nations.
  11. Items reserved for small scale units.

### **B. Screening of Project Ideas:**

The need for screening of the ideas arises because all the ideas generated may not be promising. Only the most promising or most profitable ideas are to be selected for further study. The process of evaluating the project ideas with a view to select the best and promising idea after eliminating the unprofitable ideas is called screening of project ideas. The following factors need to be considered:

- 1. Cost of The Project:** A study of the cost structure under material cost, labour cost, factory overheads etc., will give a good idea regarding different types of costs.
- 2. Profitability:** The project yielding higher return must be selected.
- 3. Marketing Facilities:** Existing and potential demand in domestic and export market, nature of competitions, sales and distribution system, consumption trends etc., should be assessed and evaluated before taking the final decision.
- 4. Availability of Inputs:** The resources and inputs required for the project must be reasonably assured. The availability of skilled workers is to be ensured before launching an enterprise.
- 5. Consistency with Government Regulations and Priorities.**
- 6. Compatibility with the Entrepreneur:** The idea must suit the interest, personality and resources of the entrepreneur. It should not be beyond his capacity.

## **PROJECT APPRAISAL AND EVALUATION**

The project has to be appraised in relation to the feasibility of the technical, economic, financial, commercial, managerial, social and other aspects of the project. It is defined as critical and careful second look at the project by a person not associated with the project preparation.



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The objective of a project appraisal is to decide whether to accept or reject an investment proposal.

## **ELEMENTS OF PROJECT APPRAISAL**

There are mainly seven aspects of project appraisal. They are:

**1. Technical Feasibility:** It includes detailed estimates of the goods and services needed for the project- land, machineries and equipments, raw material, trained labour etc. Location of the project should be given special attention in relevance to technical feasibility. Another important feature of technical feasibility relates the type of technology to be adopted for the project.

**2. Economic Viability:** It is a study on capital cost, working capital, operating cost and revenue, marketing, profitability etc. It also includes an appraisal of anticipated demand and capacity utilization.

**3. Commercial Viability:** The appraisal of commercial aspects of a project involves a study of the proposed arrangements for the purchase of raw materials and sale of finished products etc. The main objective is to see that the proposed arrangements will ensure that the best value is obtained for money spent.

**4. Financial Feasibility:** It seeks to ascertain whether the project is financially viable regarding the cost of project, cost of production and profitability, cash flow estimate and Performa balance sheet. It will study whether the project will satisfy the return expectations of those who provide the capital.

**5. Managerial Competence:** Proper evaluation of managerial ability and talent is an essential part of appraisal of a project. While evaluating the management, back ground of the entrepreneur and promoters, their character and integrity, past record of promotion etc are studied.

**6. Social Consideration:** The social objective of a project are also considered keeping in view of the interests of the public. The projects which offers large employment potential, which are located in backward areas or projects which will stimulate small industries or growth of ancillary industries are given special consideration.

**7. Ecological Analysis:** It is necessary to ensure whether the project causes pollution, whether it disturbs the equilibrium of ecology and whether it fits into the environment.

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**8. Project Risk Analysis:-** Project face a host of risk such as project completion risk, resource risk, price risk, technology risk, political risk, interest rate risk etc. An analysis of such risks is helpful in the appraisal of a project.

## **PROJECT FORMULATION**

It is the process of examining technical, economic, financial and commercial aspects of a project. It is the process and steps through which an opportunity becomes a project in which the entrepreneur is willing to invest his time, money and other resources. This study is undertaken to find out whether the proposed project would be feasible or not.

## **NEED FOR PROJECT FORMULATION**

The following are the major problems:

- 1. Knowledge About Government Regulations:** The entrepreneur must have a thorough knowledge about Government regulations, policies, licensing procedures etc.,
- 2. Absence of External Economies:** A project has to depend upon other industries for the supply of raw material, power, spares etc,
- 3. Non-Availability of Technically Qualified Personnel.**
- 4. Resource Mobilization.**
- 5. Selection of Appropriate Technology:** Modern technologies developed in the advanced countries may not be suitable for adopting in the developing countries.

## **ELEMENTS OF PROJECT FORMULATION**

It involves a number of elements, they are summarized as below:

- 1. Feasibility Analysis:** It involves an examination of the project idea in the light of internal and external constraints. Internal constraints arise because of limitations of the project sponsoring body and external constraints arise due to the characteristic of the environment. If on feasibility analysis, the project is found feasible, the same is put to further analysis.
- 2. Techno-Economic Analysis:** It is mainly concerned with the identification of the project demand potential and selection of the optimal technology suitable for achieving the project objectives. This study includes:

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a) **Estimation Of Demand Or Market Potential:** The entrepreneur has to estimate the expected share of the sale in the market, intensity of competition, mobility of products to other places etc., The data collected from various sources are first compiled, tested and tabulated in a form suitable for interpretation.

b) **Selection Of Technology:** It refers to that combination of controlled variables which will ensure the achievement of the project objectives with minimum expenditure of resources.

**3. Project Design and Network Analysis:** A project comprises certain sequential activities which are interrelated. These activities can be shown in the form of a diagram, which is called network diagram. Project design is concerned with the development of a detailed work plan of the project and its time estimates. When a network is designed, its analysis is carried out to identify the optimal course of action so as to complete the project with the minimum of time and cost, subject to the available resources. Important network analysis techniques are PERT (Programme Evaluation Review Technique) and CPM (Critical Path Method).

**4. Input Analysis:** Input analysis is primarily concerned with the identification, qualification and evaluation of project inputs. The objective of input analysis is to identify nature of resources needed to estimate the quality of the required resources and to ensure that there is continuous and adequate supply of inputs. Input analysis is the basis for financial analysis and cost benefit analysis.

**5. Financial Analysis:** It involves estimates about the project costs and revenues and the funds required for the project. It seeks to find out whether the project will generate income to realize the ultimate objective for which it is undertaken.

**6. Social Cost Benefit Analysis:** Under cost benefit analysis the investment projects are evaluated from the point of view of the society as a whole. The cost benefit analysis aims at analyzing the real contribution of an investment project towards welfare of the country as a whole. It implies the enumeration and evaluation of all the relevant costs and benefits. It can be applied to both private and public investments.

**7. Pre-Investment Appraisal:** The proposal gets the final and formal shape. The purpose of pre-investment appraisal is to enable the concerned authorities to take an investment decision about the project i.e. to accept or reject.

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## **PROJECT REPORT**

A project report may be defined as a document with respect to any investment proposal based on certain information and factual data for the purpose of appraising the project. It states as to what business is intended to be undertaken by the entrepreneur and whether it would be physically possible, financially viable, commercially profitable and socially desirable to do such a business. Project report is an essential document for procuring assistance from financial institutions and for fulfilling other formalities for implementation of the project. The project report (Detailed Feasibility Report) is based on a preliminary report or pre-investment report. Thus the project report is a post investment decision report.

## **OBJECTIVES OF PROJECT REPORT**

The basic aim of a project report is to assess the financial viability of a project as well as the soundness of its production, marketing and other related aspects. It serves the following main objectives.

1. It facilitates business planning and planning the future course of action.
2. It enables an entrepreneur to compare different investment proposals and select the most suitable project.
3. It provides a SWOT analysis, wherein the strengths, weaknesses, opportunities and threats involved in the projects as shown.
4. The project report enables the entrepreneur to ensure that he is proceeding in the right direction.
5. In case of public sector projects this report would also enable the concerned authorities to take an objective decision on the project.
6. It facilitates project appraisal.
7. It helps the financial institutions to make appraisal as regards financial, economic and technical feasibility.

## **IMPORTANCE OF PROJECT REPORT**

Project report is a written plan of the project to be undertaken for the attainment of objective. It enables an entrepreneur to know the inputs required and confirms that he is proceeding in the right direction. It spells out the reasons of allocating resources of the firm for

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the production of goods and services during a specific period. An important aspect of the project report lies in determining the profitability of the project with minimum risks in the execution of the project. The important uses of P.R. are summarized as follows:

1. It helps the entrepreneur in establishing techno-economic viability of the project.
2. It helps in getting term loan from banks and financial institutions.
3. It helps in approaching bank for getting working capital loan.
4. It helps in securing supply of scarce raw materials also.
5. It gives a general idea of resource requirements and means of procuring them.
6. It shows the feasibility of the project and possibility of achieving profits.

## **CONTENTS OF PROJECT REPORT**

It contains relevant information in detailed and systematic manner as below:

- 1. Introduction:** General information regarding the company and production description.
- 2. Background of the Promoter:** Name, address, age, family background, educational qualification, work experience, investment potential etc.
- 3. Product:** Details of products to be produced, details of application of the product, proposed product mix, product standard etc.
- 4. Market and Marketing:** Market potential analysis, major buyers, area to be covered, trade practices, sales promotion devices, trade practice and trade channels adopted by the competitors, demand analysis, proposed market research etc.
- 5. Location:** Locational advantages, criteria for selecting the location, exact location of the project, other choices.
- 6. Production Process:** Details of technology, process flow chart, manufacturing process, production programme etc.
- 7. Raw Material:** List of raw material required in terms of quality and quantity, sources of requirement, cost of raw material etc.
- 8. Utilities:** Water, power, steam-sources and costs, effluent disposal etc.
- 9. Transport and Communication:** Method, possibility of getting and costs of transport.
- 10. Manpower Requirement:** Requirement of skilled, semi-skilled personnel, technical and non-technical personnel, cost of procurement, capacity, and suppliers cost, alternatives available, cost of miscellaneous assets.

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**11. Land and Building:** Land area, construction area, cost of construction, detailed plan, plant lay out along with cost.

**12. Plant and Machinery:** Details of machinery and equipment required.

**13. Cost of Project and Sources of Finance:** Working capital required, preliminary and pre-operative expenses, contingencies and arrangements for the meeting the cost of project.

**14. Financial Viability of the Project:** Cost of production and profitability for the first years, break even analysis, and analysis of cash flow and fund flow statements.

## **REQUISITES OF AN IDEAL PROJECT REPORT**

1. Project report should be prepared with the help of an expert team.
2. Assumptions in the project report should avoid extremities.
3. Project report is the means and not the end.
4. Product demand, capital resources, raw material availability, labour resources etc must be estimated properly after considering varied factors.
5. Project report should be based on proper survey and systematic preliminary study of the project.
6. Thorough discussions must be made with experts, various personnel of concerned departments before finalizing the report.
7. The end result should be to receive finance and to get the project implemented.
8. Complete satisfaction of the entrepreneur/promoter should be ensured before the report is submitted to the financial institutions.

## **PROBLEMS FACED IN PREPARATION OF PROJECT REPORT**

1. Strict condition of promoter's contribution may dampen the enthusiasm of entrepreneurs.
2. All lending institutions demand a lot of documents before credit is granted.
3. Problems regarding working capital assessment due to unrealistic assumptions.
4. Time overrun will lead to cost overrun.
5. Lending institutions expect strict specifications with regard to size of the land, buildings, sources of machinery, their costs etc.
6. A number of clearances have to be obtained from the government departments. This causes strain and wastage among entrepreneurs.

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## **MODULE-8**

### **INSTITUTIONAL SUPPORT SYSTEM FOR ENTREPRENEURSHIP**

In India a wide array of institutions have come up over a period of time to extend support to entrepreneurs on the basis of the type of support extended, these institutions may be categorized into two

1. The institutions which extend non-financial support and
2. The institutions which provide financial support

### **INSTITUTIONAL EFFORTS FOR EDP's IN INDIA**

After getting independence, India made efforts for industrial development, recognizing the key role of entrepreneurship in economic development, the Government of India decided to assist the potential entrepreneurs through several positive programmes. These programmes were designed to provide various types of assistance and facilities to small scale and other entrepreneurs. These included finance, technical know-how, market information, factor inputs, raw materials, project guidance etc. Several institutions have been set-up at the all India and State levels to provide these services to the existing and new entrepreneurs. The various efforts are described below:

1. Efforts by Development Banks:
2. Efforts by State Level Financial Institutions:
3. Efforts by Entrepreneurship Development Institutions:
4. Efforts by Gujarat Government:
5. Efforts by Uttar Pradesh Government:

### **A. INSTITUTIONS FOR NON-FINANCIAL SUPPORT**

#### **DISTRICT INDUSTRIES CENTRES (DICs)**

The Industrial policy of -1977 announced by the then Janata Party Government laid greater emphasis on the effective promotion of cottage and small-scale industries. The statement

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pointed out the need for a single organisation at the district level for the effective development of this sector: As a result, DICs were started under centrally sponsored scheme-in .1978. The main objective is to fulfill the requirements of a small entrepreneur under one roof.

The DICs provide all the services and facilities to the entrepreneurs including the identification of suitable project; the preparation of feasibility report; arrangement for the supply of machinery and equipment; provision of raw-materials, credit facilities, and input for marketing and extension services, quality control research, and entrepreneurial training.

They also assist entrepreneurs, government corporations, and financial institutions for implementing various supporting schemes such as seed capital assistance, financial assistance to entrepreneurs belonging to SCs and STs, etc.

## **FUNCTIONS**

DIC's role is mainly promotional and developmental. To attain this end, it has to provide needed services and support to small and village Industries. Its various functions include the following.

1. DIC identifies prospective entrepreneurs by conducting entrepreneurial motivational programmes throughout the district. DIC gives training to rural entrepreneurs and also assists other units giving training to small entrepreneurs. EDPs, are an important aspect of industrialization since the entrepreneur may be highly qualified but still he may not be familiar with the different aspects and steps required in setting up of an industrial venture. DICs have been conducting EDPs in association with SISI and various TCOs to develop Entrepreneurial skills in the young entrepreneurs.
2. DIC offers Technical advice to new entrepreneurs for the selection of projects suitable to them.
3. DIC provides provisional and permanent registration to new entrepreneurs. Entrepreneurs are issued with Provisional SSI registration which is essential for obtaining assistance from the financial institutions.
4. DIC sponsors the loan application to SIDCO and Banks for the purchase of fixed assets and sanction margin money under Rural industries project loan scheme payable to other financial agencies for the purchase of fixed assets.



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5. It takes the initiative to get clearance from department and takes follow up measures to get speedy power connection.
  6. It makes necessary recommendation to the concerned raw-material suppliers and issues the required certificates for the import of Raw material and machinery.
  7. DIC arranges for the financial assistance with the lead bank of the respective areas.
  8. DIC assists SSI units and rural artisans to get subsidies under IRDP from various institutions.
  9. It assists under self-employment for unemployed educated youth scheme introduced in 1983-84 for youths between 18-25 years with SSLC qualification.

## **SMALL INDUSTRIES SERVICE INSTITUTES (SISIs)**

Small Industries Service Institutes have been established in each state in 1956 as agencies of SIDO. The objective is to develop small scale industries. A SISI a pioneer in industrial extension work is a multipurpose institution. It is by and large an advisory agency rendering services to Small Scale Industries and to government departments, semipublic institutions and other agencies directly and indirectly responsible for the development of the Small Scale Sector but it has no authority to enforce the proposal or advice.

There are more than fifteen SISs set up by the Government of India, they conduct programmes primarily for fresh engineers and unemployed science graduates.

### **OBJECTIVES**

- Identification of projects.
- Preparation of project reports.
- Managerial consultancy services.
- Conducting EDP, technical Management programmes.
- Common facilities workshop services.
- Demonstrations, training programmes on consumer goods etc.

### **ORGANISATION**

The SISI has normally the following divisions, each headed by a deputy director or assistant director or as the case may be.

- Administrative including accounts.

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- Industrial management and training.
  - Economic investigation.
  - Mechanical division.
  - Electrical including electronics.
  - Metallurgy division.
  - Chemicals division.
  - Leather ceramic and glass.
  - Industrial design division.

## **FUNCTIONS**

1. It promotes entrepreneurship and development of SSIs in rural and other underdeveloped areas.
2. It supplies market information in selected cases and undertakes market distribution surveys for industrial enterprises.
3. It conducts various programmes for workers in other organizations as well as in small industry in certain trades.
4. It assesses the capacities of small units for imported/controlled materials.
5. It provides technical guidance on the efficient use of wastages and scraps.
6. It prepares designs and drawing for production equipment and accessories.
7. It ensures that small industry development in India is being done in right lines.
8. It provides workshop common facilities to industrialists at reasonable charges.
9. It conducts detailed plant studies to locate production and other problems. It initiates and co-ordinates modernization of selected industries.
10. The institute assists in rehabilitation of sick units.
11. It helps to develop ancillary industries. It registers SSI units with NSIC to supply their products to government.
12. The institute conducts modernization studies for technology upgradation.
13. It undertakes quality control, energy conservation and pollution control, specialized training programmes on export marketing.
14. The institutes also conduct surveys and studies for identification of industries having scope of promotion and development.

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15. It advises the Govt. of India and state government on policy matters relating to small industry development.

## **SMALL INDUSTRIES DEVELOPMENT CORPORATIONS (SIDCOs)**

Since 1960, many states and union territories have setup SIDCOs. They are the promotional bodies entrusted with the major task of promoting industries and ensuring balanced regional development within each state. The important functions are:

1. Financial assistance to industrial concerns in the form of direct investment, loans, and extension of guarantee for loans and deferred payments;
- 2 Provision of industrial sheds/plots;
3. Promotional activities such as identification of projects ideas selection and training of entrepreneurs, provision of technical assistance during project implementation etc.
4. In some states they are empowered to establish and manage industrial estates, develop industrial areas. For instance, they carry but these activities in the states of Karnataka and Bihar.

## **NATIONAL INSTITUTE FOR SMALL INDUSTRY EXTENSION AND TRAINING (NISIET)**

It was established as an autonomous society by the Government of India at Hyderabad in 1962. It undertakes training, research and consultancy activities in the four related fields of small industry development, management, extension and information for development. Every year about 90 regular training programmers are offered in the relevant fields. NISIET'S courses are fully residential and participatory in nature.

Foundation for massive EDP movement in the country was laid at this institute under the leadership of David C. McClelland in early 1960's. The Experiment was conducted in Andhra Pradesh in the towns of Kakinada and Rajmundri in East Godavari District. In 1970's the Institute was one of the selected few to impart training to young engineers and technologists.

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The Institute has trained entrepreneurs to start ancillary units for Karnataka State Electricity Board, and Karnataka State Road Transport Corporation. The institute also launched a massive. Exercise of spotting and stimulating entrepreneurship in different parts of the country

## **ENTREPRENEURSHIP DEVELOPMENT INSTITUTE OF INDIA (EDII)**

Gujarat Government, State Bank of India and All India Financial Institution jointly established the entrepreneurship Development Institute of India at Ahamadabad in 1983. This is an apex agency for creating the institutional infrastructure required for entrepreneurship development, It undertakes model training programmers, trains the trainers, conduct research and assist the state level agencies in planning, implementing and monitoring EDPs.

The Institute extended resource person's support to organize entrepreneurs trainer-motivators programme in African countries. This programme was funded by Common wealth Secretariat. It supports the Government policy of inculcating entrepreneurial qualities in younger generation by introducing the subject of entrepreneurship at +2 level. EDII is developing text book for 11th and 12th Standards.

The EDII has been entrusted with challenging, task of designing and implementing a programme 'Gender planning in entrepreneurship' by the Department of personnel and Training, Government of India. It launched a course in new enterprise creation and management through correspondence and personnel consultancy. The course is called Open Learning Programme in Entrepreneurship (OLPE).

### **BROAD OBJECTIVES OF EDII**

The institute undertakes EDPs to serve the following developmental activities.

1. Accelerated industrial development by enlarging the supply of Entrepreneurs.
2. Industrial development of rural and less developed areas where local Entrepreneurship is not readily available and Entrepreneurs from nearby cities are not easily affected.
3. Enlarging the small and medium enterprise sector which offers better potential for employment generation and wider dispersal of industrial ownership.

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4. Providing productive self-employment to a number of educated and less educated young men and women coming out of school and colleges.
  5. Improving performance of small industries by enlarging the supply of carefully selected and trained entrepreneurs.
  6. Diversifying source of Entrepreneurship and business ownership.<sup>24</sup>
  7. EDII acting as a national resource centre of expertise and know-now.
  8. EDII has taken EDPs to less developed states where the needs to identify indigenous entrepreneurs is of high priority where indigenous expertise to local and develop entrepreneurs is immediately not available.
  9. EDII has taken up the promotional and developmental role in far-off areas where otherwise Entrepreneurship development activities may not be undertaken on their own. The catalytic and supportive roles of EDII for the national spread of EDP awareness as also its many EDPs with innovations have met with considerable appreciation.
  10. Performance experience has not been uniformly satisfactory in various parts of the country viz. only a few entrepreneurs are located or a fewer trained ones ultimately setup enterprises or those who set them up have a high failure rate. EDII is therefore, keen on developing qualitative aspects of selection and training, strengthening local organisational capabilities, training of trainers/innovators and building up institutional involvement for sustained efforts.

### **NATIONAL INSTITUTE FOR ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT (NIESBUD)**

It is an apex body established in 1983 by the ministry of Industries, Government of India, for coordinating, training and overseeing the activities of various institutions/agencies engaged in entrepreneurship development, particularly in the area of small industry and small business. The Institute which is registered as a society under Government of India Societies Act started functioning from 6<sup>th</sup> July, 1983. The policy, direction and guidance to the institute is provided by its governing council whose chairman is the minister of SSI. It has an executive committee.

### **ACTIVITIES**

- To serve as an apex national level institute.
- To organise and conduct training programmes

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- To Co-ordinate the training activities of various institutes and organisation in the country imparting training in entrepreneurship
  - To affiliate institutes and organisations of conducting entrepreneurship training.
  - To identify, train and assist potential Entrepreneurs amongst technical and non-technical personnel in setting up self-employment units in small industries including service units.
  - To hold examinations and tests and confer certificates and diplomas on the trainers and trainees.
  - To undertake documentation and research in the field of Entrepreneurship and Small Business Management.
  - To publish literature for furtherance of Entrepreneurship and Small Business Management.
  - To conduct workshops, Seminars, and conferences, etc. for promotion and development

## **OBJECTIVES**

The objectives of the institute include the following:

1. To evolve standardized materials and processes for selection, training, support and sustenance of entrepreneurs, potential and existing.
2. To share internationally, its experience and expertise in entrepreneurship development.
3. To train the trainers, promoters and consultants in various areas of entrepreneurship development.
4. To provide national/international forums for the interaction and exchange of experiences helpful for policy formulation and modification at various levels.
5. To provide vital information and support to trainers, promoters and entrepreneurs by organizing research and documentation relevant to entrepreneurship development.

## **FUNCTIONS**

1. Evolving effective training strategies and methodology.
2. Standardizing model syllabi for training various target groups.
3. Formulating scientific selection procedures.
4. Developing training aids, manuals and tools.
5. Facilitating and supporting central/state/other agencies in organizing entrepreneurship development programmes.

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6. Conducting training programmes for promoters, trainers and entrepreneurs.

## **TECHNICAL CONSULTANCY ORGANISATIONS (TCOS)**

At the initiative of IDBI, 14 Technical consultancy organisations covering 21 states have been setup jointly by the all India financial institutions, commercial banks and state governments. Lack of technical consultancy cells with commercial banks and private consultancy service organisations in backward state necessitated the setting up of TCOs in 1970s. The main idea behind the establishment of these institutions is to provide integrated consultancy services to small and medium entrepreneurs, and financial institutions. However, the state governments and other agencies have also been utilizing the services of TCOs.

It was established in different parts of the country to provide consultancy services to small and medium enterprise at reasonable costs. The TCO was established in Kerala( KITCO) in June 1972. Functions and activities of TCOs include:

- a. Industrial potential surveys.
- b. Preparation of profits and feasibility studies.
- c. Evaluation of project.
- d. Conduct of EDPs.
- e. Assisting in the modernization, technical upgradation and rehabilitation programmes etc.
- f. Undertaking market research and surveys for specific products.
- g. Offering merchant banking services.

## **ACTIVITIES**

1. Identifying industrial potential and potential entrepreneurs.
2. Preparation of project profiles and to carry out techno economic appraisal of industrial projects.
3. Appraisal of projects referred to them by financial institutions.
4. Conducting of Entrepreneurship Development Programmes, market research and surveys.

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5. Provision of technical and administrative assistance to small and medium entrepreneurs.
  6. Advise entrepreneur's technical, financial and other input facilities.
  7. Assisting entrepreneurs in their modernization, technical up gradation and rehabilitation programme
  8. To provide technical services and advise in setting up industrial estates.

## **B. INSTITUTIONS FINANCIAL SUPPORT**

This is to give you a broad overview of central and State Level Financing Institutions. In India, we have financial institutions at the central level as well as at the state level. The following are the All India financial institutions.

1. Industrial Finance Corporation of India (IFCI)
2. Industrial Development Bank of India (IDBI)
3. Industrial Reconstruction Bank of India (IRCI)
- 4 Industrial credit and investment corporation of India (ICICI)
5. Life insurance Corporation of India and General insurance Corporation of India (LIC & GICI).
6. Unit Trust of India (UTI)

At the state level, we have State Financial corporations, Commercial Banks and Regional Rural Banks. These institutions mainly provide financial support to small-scale enterprises.

### **1. Industrial Finance Corporation of India (IFCI):**

It was established in 1948 to provide long-term finance to industrial projects in India. The major activities IFCI are:



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\* Provision of financial assistance for setting up of new industries and also for expansion, diversification, or modernization of existing concerns.

\* Carrying out promotional activities.

## **2. Industrial Development Bank of India (IDBI)**

IDBI was established in 1964 as a wholly owned subsidiary of Reserve Bank of India. But in 1975 the ownership was transferred to the Government of India. The important feature of IDBI is that it is assigned the role of the principal institution for co-ordinating the financial activities of public financial institutions engaged in providing financial assistance. The co-ordination is being done in conformity with national policies and priorities.

IDBI provides financial assistance directly. It also provides indirect finance by refinancing of industrial loans, bills discounting, subscribing to shares and securities of financial institutions. It was also entrusted with export financing.

## **3. Industrial Credit and Investment Corporation of India (ICICI)**

ICICI was setup in 1955. The primary function is to provide development finance to the private sector. The following types of financial assistance are provided by ICICI;

1. Rupee and foreign currency term loans
2. Underwriting of public Issues
3. Direct subscription to equity
4. Guaranteeing the loans
5. Lease financing
6. Financing Indo-US joint ventures in research and development
7. Providing supplier's credit

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8. ICICI provides merchant banking services.

It has set up the Institute for Financial Management and Research at Madras. The Institute has been conducting specialized courses and carrying on research in the field of financial management. An institute for the study of capital markets has been set up at Mumbai.

#### **4. Industrial Reconstruction Bank of India (IRBI)**

IRBI was established in 1985 under IRBI Act, 1984. It was the result of reconstruction of erstwhile Industrial Reconstruction Corporation of India (IRCI). IRCI was lending mainly for reconstruction and rehabilitation of sick and closed industrial units. But now IRBI has been permitted to finance all industrial projects like any other institution. IRBI provides the following types of assistance:

- \* Loans and advances to industrial concerns
- \* Underwriting of new issue of shares and debentures
- \* Equipment financing and lease financing
- \* Provides merchant banking and consultancy services
- \* Reconstruction Assistance Fund is set-up to meet the special financial needs to meet the special financial needs of assisted medium and large scale units for their revival and rehabilitation.

#### **5. Life Insurance Corporation of India (LIC) and the General Insurance Corporation of India (GICI)**

The main function of these corporations is to carry out insurance business in the country. The surplus available with them is used for the following purposes which in turn is helpful to entrepreneurs:

- \* Invest funds in shares and debentures through direct subscription

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- \* Underwriting of new issues

- \* Extend term loans to industrial undertakings in collaborations with other financial institutions.

## **6. Unit Trust of India (UTI)**

UTI brings together people and the capital and financial markets. It mobilizes household savings and makes it available to the corporate world through capital market it invests directly in industries by directly subscribing to new issues. Underwrites new issues, indirectly invests in business by purchasing securities from the stock exchange. It closely collaborates with other financial institutions in assisting industrial concerns.

## **7. Small Industrial Development Bank of India (SIDBI)**

SIDBI became operational with effect from 2nd April, 1990. In 1986, IDBI had set up a Small Industries Development Fund exclusively for refinancing, bills, rediscounting, and equity support to small-scale sector (SSS). It was to meet the long-standing demand of SSS for an Apex level national institution for promotion, financing and development of industries in the SSS that SIDBI was set up.

SIDBI has the following advantages:

- \* Established under an independent Act of parliament called SIDBI Act, 1989.

- \* A large capital base of Rs 450 crore

- \* Experienced manpower from IDBI

- \* A vast network of institutional infrastructure, enduring financial linkages with State Financial Corporation, Commercial Banks, and other institutions.

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#### SIDBI'S Activities:

\* To ensure increased flow of credit to units in SSS. For this, it participates in equity, provides term and working capital loan, and provides indirect assistance through bills discounting.

\* New schemes have been introduced to tackle the problems faced by SSIs in the areas of marketing

- Infrastructure development

- Delayed realization of bills

- Ancillarisation

- Obsolescence of technology

- Quality improvement

- Export financing

- Venture capital assistance

\* It has enrolled itself as an institutional member of Over the Counter Exchange of India (OTCEI) just to help SSIs to access to capital market through the cheaper route of OTCEI.

\* SEBI has granted it category I status to carry out merchant banking activities.

\* SIDBI provides the following supporting services relating to

- Technology transfer & upgradation

- Technology adoption

- Enlarging marketing capabilities

- Entrepreneurship development

- Management development

- Environment management

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- Rural industrialization
  - Support to self-help groups
  - Dissemination of information through the publication of project profiles for tiny and high-tech small industrial units.

## **8. State Financial Corporations (SFCs)**

SFCS Operate at state level they were setup with the objective of promoting and financing small and medium enterprises for achieving

- balanced regional development
- catalyzing higher investment
- generating greater employment Opportunities
- widening the ownership base of industry

SFCs provide the following types of assistance

- Term Loans
- Direct subscription to equity shares and debentures
- Underwriting of new issues
- Loan guarantee
- Guaranteeing the deferred payment on purchase of Capital goods.

## **9. Commercial Banks**

Commercial banks provide working capital assistance to entrepreneurs. They extend merchant banking services; they help promote entrepreneurship in small-scale sector by providing assistance, and they act in coordination with DICs, SISIs, SIDCOs, etc.

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## **10. Regional Rural Banks (RRBs)**

RRBs were set-up as subsidiaries of public sector banks. They have the objective of providing assistance at village level. They have the feel of co-operatives and the modernized outlook of commercial banks. Their main features are: state sponsorship, regional base, and rural orientation. Farmers, agricultural labourers, artisan in village industries. And small business men are the beneficiaries of RRBs.