CHAPTER NO.1

Entrepreneurship Development in India
with special reference to
Maharashtra Center for Entrepreneurship Development
(MCED)
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1.1. ENTREPRENEURSHIP: A Historical Review

There are some unresolved differences in the interpretations / definitions of the term “entrepreneurship”. But there is general agreement that the term includes at least a part of the administrative function of making decisions, for the conduct of some type of organization. One group of scholars would restrict the term to strategic or innovative decisions while an overlapping group would apply it only to business organization. The basis for these differences can be understood from the history of the concept.

The term “entrepreneur” seems to have been introduced into economic theory by Cantillon (1755) and was first accorded prominence by “Say” (1803). It was variously translated into English ‘as merchant adventure or employer’, though the precise meaning is the ‘undertaker of a project’. John Stuart Mill (1848) popularized the term in England.

The word “entrepreneur” approved in the French language long before there was any general concept of entrepreneurial function. By the early sixteenth century, men engaged in ‘leading military expeditions’ were referred to as “entrepreneurs”. From this usage it was easier to apply the term “entrepreneurship” to other types of adventures. After about 1700 “entrepreneur” was frequently applied by the French to “government”, “road”, “bridge”, “harbours” and “fortification” contracts and somewhat later to “architects”. Seeing such activities as the entrepreneurial function the mid-eighteenth century French writer Bernard F. De. Belidor further defined it as’ buying labour and materials at uncertain prices and selling the resultant product at a contracted price’. 
Richard Cantillon’s ‘ “Essai sur la nature du commerce en general” (1755), probably written a generation before its publication date drew attention to “entrepreneur” as a technical term. The essence of the function of the entrepreneur was to bear uncertainty. Conversely to the Belidor emphasis, Cantillon saw the “entrepreneur” as “anyone who bought and sold at uncertain prices”. Obviously, there is no contradiction between Belidor and Cantillon in theory, but merely in the type of examples chosen. Cantillon regarded everyone engaged in economic activity as an “entrepreneur”.

The Physiocratic economists of later eighteenth century, such as Francois Quesnay and Nicolas Baudeau called the “agricultural cultivator” an “entrepreneur”. Since the physiocrats also thought that only the land was a source of social product, this put the term “entrepreneur” in a key position. In the sphere of agriculture, Baudeau credited the “entrepreneur” with all the essential characteristics of risk taking and innovation that were to be elaborated in later definitions (in his premiere introduction a la philosophie economique.) At about same time A.R.J. Turgot, in his “Reflexions sur la formation et la distribution des richesses”, spoke of the “entrepreneur” in manufacturing as one who risked capital.

Thus, by 1800 many French economists had given special meaning to “entrepreneur” and “entrepreneurship”, with differences arising largely from the characteristics of the sector of the economy that chiefly attracted their attention. Those economists interested in government saw the “entrepreneur” as a contractor, the specialization agriculturist as a farmer and the proponents of industry as a risk taking capitalist. The classic definition which was to survive until the twentieth century was written by an aristocratic industrialist Jean Baptiste Say.

In the ‘Catechism Of Political Economy ‘Prof. Say J.B.’ wrote of the “entrepreneur” as the agent who unites all means of production and who finds in the value of the products ....the re-establishment of the entire capital he employs, and the value of the wages , the interest, and the rent which he pays, as well as the profits belonging to himself .This idea appeared earlier in A Treatise on Political
Economy(1803), which was not translated into English until 1827. Say’s “entrepreneur” commonly, but not necessarily, supplies either his own or borrowed capital. To succeed, he must have “judgment, perseverance and knowledge of the world as well as of business. He must posses the art of superintendence and administration. Prof. Say does not however discuss the “entrepreneur” in relation to innovation or capital creation.

In Contrast to the tolerably consistent and expanding French definitions of “entrepreneur” the English appear to have made rather less use of three forms; “adventurer”, “Undertaker” and “projector”. While the ‘Merchant Adventurers’ of the sixteenth century were the equivalent of French “entrepreneurs”, adventurer did not come into general use. The seventeenth century French use of “entrepreneur” for Government Contractor had its English counterpart in the term undertaker. Near the close of the century the third term ‘projector’ came into use. Daniel Defoe, in an essay on ‘projects’, equates the term ‘projector’ not only with ‘inventor’, but also with ‘fraud’ or “swindler”. In ‘Molachy Postlethwayt’s’ Universal Dictionary of ‘Trade and Commerce’ the words “adventure” and “undertaker” are referred to, but these terms are not given precise definition. Bert F Hoselitz (1951) finds that by the time of “Postlethwayt”, undertaker could be applied to businessmen in general but that the term was in fact becoming obsolete.

As economic theory became more carefully formulated in the entire western, European nations, no operative place was found for the “entrepreneur”. This was particularly evident in English classic theory from ‘Smith’ to ‘Marshall’, where many writers made no effort either to define or include “entrepreneurship”.

The difficulty was that English theory was based upon a normal state of equilibrium, established by the multiple reactions of businessmen, ‘consumers’, ‘investors’ and ‘workers’ to the prices of goods and services. Individual variations in behavior were seen either as canceled out in the aggregate or suppressed by competition. In this highly aggregative system any unknown element was to be derived from the relations of theoretically measurable quantities, such a system
could obviously not utilize immeasurable social or cultural factors such as entrepreneurship.

In addition to this inhospitality of classic theory, the mid-nineteenth century business structure of small size to medium sized family firms, or closely held firms, obscured the distinctive character of the entrepreneurial function. With few exceptions, the men performing these functions were also capitalist owners. Their rewards could be seen as a return on capital rather than as special compensations for entrepreneurial ability.

Perhaps the relatively early development of big corporations in the United States led American economists to think of "entrepreneurship" as a function separate from either ownership or the supply of capital. In the late 1870's 'Francis A. Walkar' emphasized the distinction between 'capitalists' and 'entrepreneurs' and called the latter the engineers of industrial progress and the chief agents of production. Frederick B Howely, writing in 1882 saw risk taking as the distinguishing attribute of the 'entrepreneur' and ranked this as a factor in production one par with land, labour and capital. At the end of the century, the unorthodox 'John R Commons' gave an explanation of risk taking entrepreneurship and profit that anticipated some of the more fully elaborated ideas of Joseph A. Schumpeter. According to Commons, one type of profits arose from the ability and risk taking of the entrepreneur and was temporary and contingent on changes in the economic situation. The basic problem of finding an operative role for entrepreneurship in economic theory however, remained unsolved. Economic theorists in general well aware of the incongruity of a non measurable human element in a theoretical structure based on quantifiable assumptions, moved in other directions, such as the study of business cycle, income, saving and investment.

Schumpeter's acceptance of a chair at Harvard, the translation on the theory of 'Economic development into English' in 1934 and great depression, all called new attention to his position regarding the essential role of the 'entrepreneurs' in creating profits. According to Schumpeter both interest and profit arose from
progressive change and would not exist in a static society as he defined it. Change, in turn was the work of innovating businessmen or entrepreneurs.

In the ‘Schumpeterian’ view, innovation was the criterion of entrepreneurship, the defining characteristic is simply the doing of new things or the doing of thing, that are already being done, in a new way. Thus according to Schumpeter the entrepreneur is the prime mover in economic development and his function is to innovate or carry out new combination.

Five types of innovation are distinguished.
1. The introduction of new goods. (or an improvement in the quality of existing goods.)
2. The introduction of a new method of production
3. The opening of a new markets in particular, an exports market in new territory.
4. The conquest of a new source of supply of raw materials or half-manufactured goods.
5. The creation of a new type of industrial organization.

Schumpeter is also very clear about what the ‘entrepreneur’ is not he is not an inventor, but some one who decides to allocate resources to the exploitation of an inventor. Nor is he a risk bearer. Risk bearing is the function of the capitalist who also lends fund to the ‘entrepreneur’. Essentially therefore ‘Schumpeter’s entrepreneur has a managerial or decision making role. Much additional interest in ‘Entrepreneurship’ grew from the work of two Schumpeter’s colleagues at Harvard, economic historians, Idwin F Gay and Armur H. Cole. In 1944, in his presidential address to the Economic History Association ‘Cole’ offered a historical analysis of the changing character of entrepreneurship. Four years later he and Schumpeter co-operated in establishing at Harvard the Research center in Entrepreneurial History. Cole equates entrepreneurship with continuing general activities of Managers. It is the purposeful activity (including an integrated sequence of decisions) of an individual or group associated individuals, undertaken to initiate, maintain or aggrandize a profit oriented business unit for the production
Novelty is successful in the business world only if the institution introducing it is being effectively maintained.

Hayek (1937) and Kirzner (1973) emphasize the role of the 'entrepreneur' in acquiring and using information. They regard the 'entrepreneur' as responding to change as reflected in the information he receives. Whilst, Schumpeter emphasizes the role of the entrepreneur as a source of change. Hayek and Kirzer do not insist on the novelty of entrepreneurial activity.

Knight (1921) insists that decision-making involves uncertainty. Each business situation is unique, and the relative frequencies of post events cannot be used to evaluate the probabilities of future outcomes. According to Knight, measurable risks can be diversified or lead of through insurance markets but uncertainties cannot. Those who take decisions on highly uncertain environment must bear the full consequences of those decisions themselves. These people are entrepreneurs, they are the owners of businesses and not the salaried managers who make the day to day decisions.

In spite of the difficulties inherent in long run analysis and in immeasurable human factors, the increasing interest of economist in economic development has directed their attention to entrepreneurship. Two publications, 'Explorations in Entrepreneurial History' (Started by R. Richard Wonl and Hugh G.J Aitken at the research centre at Harvard and continued in the 1960's under the editorship of Ralph L Andreano at Earham College) and Economic Development and Cultural Change, (initiated by Bert F Hoselitz at the university of Chicago) emphasized, during the 1950 and 1960 the importance of entrepreneurship. Leibenstein (1968) regards the entrepreneur as some one who achieves success by avoiding the inefficiencies to which other people or the organizations to which they belong are prone. Leibenstein's approach has the virtue of emphasizing that in the real word, success is exceptional and failure is in born.

History part of this chapter is based on
‘Casson’ (1982) defines the ‘entrepreneur’ as some one who specializes in taking decisions where because of unequal access to information different people would opt for different strategies.

**Entrepreneurship:**

*Major Steps In Development Of Concept - At A Glance*

<table>
<thead>
<tr>
<th>Name</th>
<th>Year</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Richard Cantillon</td>
<td>1755</td>
<td>(Any one who bought and sold goods at uncertain prices. The essence of the function of the entrepreneur was to bear uncertainty.)</td>
</tr>
<tr>
<td>Jean Baptise Say</td>
<td>1803</td>
<td>(Who Unites all means of Production)</td>
</tr>
<tr>
<td>Knight F.H.</td>
<td>1921</td>
<td>(who take decision in highly uncertain environment )</td>
</tr>
<tr>
<td>Schumpeter J.A.</td>
<td>1934</td>
<td>(Innovator not inventor, entrepreneur as a source of change)</td>
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<tr>
<td>Hoyek F.A.</td>
<td>1937</td>
<td>(Entrepreneur as responding to change. Do not insist on the novelty of entrepreneurial activity.)</td>
</tr>
<tr>
<td>Leibenstein H.</td>
<td>1968</td>
<td>(Who achieves success by avoiding the inefficiencies to which other people are prone.)</td>
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In the study of history of Entrepreneurship some milestones after 1985 have been mentioned above. In India the policy of LPG (Liberalization, Privatization and globalization) was initiated in 1992-93, which offered an additional boost for entrepreneurs and following types of entrepreneurs emerged.
Recent Trends in Entrepreneurship:

A. Entrepreneur is one who purely on his own creates wealth for himself and the nation. The most well known examples are Ambanis, Laxumanrao Kirloskar, Narayan Murthy, Ashish Premaji, Jamnalal Bajaj, to mention few.

B. Entrepreneurs take highest risk, their activities are directed by passion and desire, money plays secondary role, and various ups and downs in the process are absorbed by them.

C. Intrapreneurship

In this type an entrepreneur works as executive in an organization but he develops new ideas and with the consent of employer, tries to reach his dreams. The modern employers are ready to encourage such Intrapreneurs because they know that people with creativity and innovation are bound to do something on their own but instead of loosing them fully it is desirable to use their talents for the existing projects. It is perhaps possible to develop new project/s with the help of such entrepreneurs; they get reasonable reward for their talents in the due course.

D. Organizational Entrepreneurs:

According to this new variety, organizations makes special efforts to develop creativity and innovation among selected employees and multiplies it activities by offering autonomy to those individuals to demonstrate entrepreneurial qualities.

E. Techno-preneurs

Honorable Mr. R.A. Mashelkar for the first time used this word meant for a successful industrialist whose basis of entrepreneurial success is technology.
Though this particular study concentrates only on entrepreneur who started something on their own and fully depended upon the project for livelihood, other varieties mentioned above should also be studied in detail by the up coming researchers. In order to explore the current situations on entrepreneurship a study of published literature was undertaken which is described fully in the next chapter.

1.2 DEVELOPMENT OF ENTREPRENEURSHIP CONCEPT IN INDIA

1.2.1 Pre British Raj
India a predominantly Hindu country has cast groups, which were in past rigidly separated from each other on functional basis, a feature which perpetuated the practice of following the family occupation leaving little scope for flexibility in one occupation.

Among the Hindus ‘Bania’ (Vaishyas) was a cast, which constituted the business community. In the ‘cast hierarchy’ the ‘Brahmins’ came first with ‘Kshtriyas’ occupying the second position. The ‘Vaishyas’ or the business community occupied the third position, the ‘Shudras’ occupying the fourth position.

Though the Vaishyas occupied only the 3rd position in the hierarchy their financial status placed them in an enviable position.

![Chart No.2](image)
While people took up vocations generally as per this stratification, people of other castes also moved into business. However this was possible, only where the caste system was relatively loose and did not pose a threat to the people of ostracisation from the social system. Another factor that facilitated this lateral movement was the absence of the trading caste community at that particular period in a particular area.

The state of Gujarat and Saurashtra had a highly developed business community. This community has the reputation for having a continuous record of international trade lasting over centuries.

The state of Gujarat and Saurashtra also included large Muslim trading communities like Bhohras, Khojas and Kacchi Menons. These communities participated both in national as well as international trade, with their counterparts from Gulf, Arabia, Africa, Malaya, Indonesia, etc. The Marwaries were another successful commercial and industrious community. They were reported to control 60% of the assets in Indian Industry and were widely dispersed geographically and industrially than the Gujaratis.

It would be worthwhile to specially mention some special features of Marwari Entrepreneurship. One of these was a commercial credit network, which enables trading operations to move smoothly.

Community Banks provided credit for goods in transit and remittance facilities. Community customs provided for apprenticeship in which youngsters could avail of the technique of business and profit-saving schemes from which they could accumulate enough capital to start their own enterprise. Community or sometimes inter community institutions existed for adjudication in commercial disputes.

History part in this chapter is based on article tilted ‘Integrated Entrepreneurship Development Programme: The Indian Experience’, published in’ Economic and Political Weekly’, May 25, 1988, written by A. N.Oza
This community also ran community hostels popularly known as ‘Pasas’ where members of their community could come, stay and engage in trading activities.

This sort of support to encourage entrepreneurship is a unique feature of the Marwari community. The result is that because of such infrastructure facilities by the community a large number of Marwaris became as successful entrepreneurs.

Parsis who migrated to Gujarat from Persia in the 8th century had vocations like artisans, carpenters, weavers, etc. Their overseas trade was in Yarn and Opium. By
the 18th century they had established merchant houses in Bombay, Burma, China and England.

They also acted as Brokers for European traders. Because of their style of living which was similar in line with Europeans, they were preferred for representing the European businessmen. Most of the Parsees were engaged in trading. This community produced such industrial entrepreneurs as Jamshedji Nasarvanji Tata who established a Steel Mill in Jamshedpur in Bihar, thus laying the foundation of the famous ‘TATA group’ of companies.

This group had occupied the top position asset wise among the private sector groups for a long time, only recently giving that place to the house of Birlas. However the Parsi community seems to be stagnating and shrinking showing very little entrepreneurship. Most of the members of this community now prefer stable jobs as professionals, to being entrepreneurs.

In South India Chettis, form the main trading caste. One of the sub castes ‘Nattukettai’ Chetti was the chief banker and financier of South India. This trading community had its trade connections with the south East Asian countries like Burma, Sri Lanka, Malaya Singapore etc. The Chettis formed an important part of prosperous class of Indians in Malaya. More than half of their total working fund was employed in Burma (Myanmar). During the tenure of U. Nu's Govt. in Burma and the successor Govt.'s policies of Burmanisation of the trade and industry most of these Chettis have returned to India, where unfortunately they have not been able to establish themselves as very successful entrepreneurs.

On the West Coast in the south the trade was mostly in the hands of Syrian Christians and Mohammedan merchants. As the trading monopoly of East India Company faded and finally vanished after 1857, many of the Christians prospered as merchants in the benign atmosphere of Victorian free trade.

In Bengal ‘Subarna Baniks’ who were counterpart of ‘Banias’ in other regions specialized in trade and commerce. The average Bengali received English
Education and joined mercantile houses as well as administrative services. Movement towards Entrepreneurship was limited.

Beside these trading communities there were some Bhatias, Lohans and khatris who were actively engaged in entrepreneurial activities mostly trading and were spread all over the country.

The above discussion proves that there has been a concentration of entrepreneurship in these castes and sub castes. Because of the system of taking up hereditary vocation, dispersal and distribution of entrepreneurship in the population at large, has been prevented.

The Indian economy in the pre British period consisted of isolated self sufficient and self sustaining villages on the one hand and towns which were the seats of administration pilgrimage, commerce and handicrafts on the other hand.

The village community was based on a simple division of labor. The farmers cultivated land and tended cattle. Similarly there existed class of people called ‘weavers, gold smiths, black smith, carpenters, washer man etc. These craftsmen were paid a share out of the crops at the harvest time in lieu of the services performed (Barter System). All these occupations or small business were hereditary passed from father to son. There was no entrepreneurship involved in these occupations.

Certainly there was entrepreneurship in Indians who were active in business at trading and commercial centers. These towns existed on important trade routes Mirzapur, Bangalore, Hubli etc are examples of this category. They catered to larger markets, even trading in international Markets.
The popular belief that India had never been an Industrial center is incorrect. Though predominantly agricultural, India did have industries and the product of Indian industries enjoyed a worldwide reputation. The Muslin of Dacca, the Calicos of Bengal, Silk Sarees of Banaras and other cotton fabrics, spices etc, were also known to the foreigners. Egyptian Mummies dated back to 2000 BC were wrapped in Indian Muslin. Similarly, the Greeks under the name 'Gangetika' knew 'Muslin' of Dacca.

The chief industry spread over the country was Textile Handicrafts. Besides the Muslin the textile handicrafts included Chintzes of Lucknow, Dhotis and Doppata’s of Ahmedabad, Silk Bordered Cloth of Nagpur and Murshidabad. In addition to cotton fabrics, the Shawls of Kashmir, Amritsar and Ludhiana were very famous.
India was also quite known for her artistic industries like marble work, stone carving, Jewelry, Brass Copper and Bell Metal Works, Wood Carving, etc. The wrought iron pillar near Delhi is a 'testament' to the high level of metallurgy that existed in India.

Indians were active in international trade. Indian export consisted chiefly of cotton and Silk Fabrics, Calicos, Artistic Wares, Silk and Woolen cloth. Other articles of commerce were Spices like Pepper, Cinnamon, Opium, Indigo, etc.

1.2.2. **During British Raj**

India had been conquered before the British but these invaders settled in India and integrated themselves in the country. The British tried to keep a distance between themselves and the Indian people, the difference was erstwhile not known to Indians. This distinction was in the form of foreign rulers and Indian subjects.

The British Rule in Indian can be divided into two eras.

1. The East India Company ruled the county from 1657 to 1858.
2. The Rule of British Govt. started in 1858 and ended in 1947.

During the period of British Rule in India there were far reaching changes in the technique of production in England, which revolutionized the process of manufacturing techniques.

The British Conquest of India provided the former with big market, where they sold machine made goods in competition to Indian handicrafts. Before the beginning of the Industrial Revolution in England the East India Company concentrated on the export of Indian manufactured goods, textiles, spices etc. to Europe where these articles were in great demand.

The Industrial Revolution reversed this trend. Tremendous expansion of productive capacity as a result of mechanization of plants in England resulted in increased production and in demand of raw material for them.
emphasized the need to capture foreign market; India itself was the biggest market. But this market had its own manufactured products.

Hence the first step in capturing this market was to restrict and crush Indian traditional skilled manufactures. The Indian textile and handicrafts industry was the first to be hit.

Following were the principal causes that led to the decay of these handicrafts.

1. **Disappearance of princely courts.**
   The growth of a number of industries was possible because of the patronage of these by princely courts. With the British rule this patronage slowly disappeared.

2. **Hostile Attitude**
   The British were always guided by their own interest only. For them interest of Britain was paramount. What happened to India because of such policies was no concern of theirs.

3. **Competition of machine made goods.**
   The mass production, which grew as a result of Industrial revolution, brought about considerable reduction in costs. The machine made products with the advantage of cost, started competing with the Indian industries and handicrafts. This led to the decline in textile handicrafts, the largest industry of India. Where as the British emphasized free import of machine made goods, they did not allow imports of machinery as such:

   Thus India became a classic example of colonial country supplying her imperialist ruler raw materials and foodstuffs and providing markets for manufactures of goods of her rulers. The development of railroads, telegraphs etc. intensified the competition between indigenous and foreign goods and hastened the process of decline of handicrafts. The opening of the Suez Canal
in 1869 reduced transport costs and made exploitation of the Indian markets easier.

4. Foreign Influence.
With the spread of education a new class grew in India, which wanted to imitate British. This class wanted foreign goods. Thus, the demand for foreign goods increased at the cost of indigenous goods.

The destruction of Indian handicrafts led to unemployment on a vast scale. Another consequence of a decline of handicrafts was the compulsory back to the land movement leading to fragmentation of land holdings. In the middle of the 19th century, about 55% of the population was dependent on agriculture. These steps virtually killed Indian Entrepreneurship for the sake of British Entrepreneurship.

**Chart No.5**

Changes In The Trade Practices During British Rule

<table>
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<th>British Rule</th>
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<tr>
<td>Esat India Co. (1657 to 1847)</td>
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<tr>
<td>Export of Indian Manufactured</td>
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<tr>
<td>goods, textile, spices, etc.,</td>
</tr>
<tr>
<td>British Govt. (1858 to 1947)</td>
</tr>
<tr>
<td>Import of Machine made goods</td>
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<tr>
<td>Export of Raw Material</td>
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</table>

It was only after the First World War, that some protection was granted to Indian Industries, otherwise the Indian industry had to face the world competition on its own. This explains the slow growth of industrialization. The main event of the 19th century was the decline of indigenous industries and the rise of large-scale modern industries. Its process was slow in the beginning but by the close of the 19th century the movement had been rapid.
The period of 1850 –55 saw the establishment of the first Cotton Mill, first Jute Mill and Coal Mine. During the span of the next 25 years there were 51 Cotton Mills and 18 jute mills. However in the 19th century most of the new industries were founded and built by British businessmen, thus, this industrialization was nearly because of British entrepreneurship. The Indian Entrepreneurship was dormant.

This development was natural; they had experience in running industries in England. Additionally British enterprise received support from the Govt. Apart from Britishers, the Parsis, the Jews and the Americans were also prominent as merchant and later on as industrialists.

Within the Indian community, conditions were not favorable for the emergence of industrial entrepreneurs. In the West, two principal groups were ready to set up factories, the merchants and the master craftsmen. It can be argued that this ‘class’ should have provided industrial entrepreneurs in India. Unfortunately it did not.

The merchant had capital marketing ability and capacity to manage labour. However most of them belonged to the Bania or money lending community, who were interested in profits with security.

Actually, when factories were established, in India by the Britishers, this merchant class found greater opportunities for trade and trading profits. The development of Shipping Industry and the building of railways resulted in larger trade both external and internal.

Besides, there were greater opportunities for lending money, with the expansion of trading activities. Thus merchants found scope for profits in their traditional occupation and did not take up to industries. These merchants seemed to lack entrepreneurial capabilities or may be entrepreneurial capabilities were dormant in them. Otherwise they could have certainly availed of the new opportunities...
provided by the process of setting up industries in the country as was done by the Parsis and Jews who certainly showed greater entrepreneurship.

Similar was the case with the craftsmen. They also lacked entrepreneurial capabilities, lack of finance was another reason for their not starting industrial ventures.

However Indians started showing entrepreneurship from the middle of the 19th century. Their role grew throughout the 19th century. In 1905 the Swadeshi Movement started. It stimulated Indian industries. There was a slow but steady growth in the field of existing industries as well as establishment of new industries. Between 1890 and the outbreak of World War I in 1914, over 70 Cotton Mills and 30 Jute Mills were set up in the country. Coal production more than doubled. The foundation of Iron Steel Industry was laid during the period.

The war of 1914-18 created enormous demand for future goods in Indian imports from England and other foreign countries fell substantially. This created an environment full of opportunities and new stimulus was given to the production of iron and steel, jute, leather goods, cotton and woolen textile. However in the absence of heavy industries and machine tool industry, they could not develop fast enough. In 1923, the Govt. of India accepted the recommendation of the First Fiscal commission and gave protection to certain Indian Industries against foreign competition.

The outbreak of war in 1939 created a very urgent demand for manufactured goods. Many new industries popularly called ‘war babies’ were started. However the growth of industries was impended for want of stores, replacement and technical knowledge. However Indian entrepreneurs progressively increased their share in the industry. According to one estimate the British controlled 43% gross assets in 1914, 10% in 1955 and only 3.6% in 1948.

The above discussions lead up to the belief that Indian entrepreneurship did not come up when conditions were favorable and was dormant when conditions were
not favorable. It would not be quite correct to say that Indian entrepreneurship was not developed because of our value system, which is based on spiritualism, asceticism, joint family etc. These factors may have contributed to the lack of entrepreneurship, but the biggest factors responsible for development or non-development of entrepreneurship was the environment; which was manipulated by Britishers, in favor of Britain and British Industries, during their rule.

*The policies of the colonial rulers resulted in,*

1. Stiffing of entrepreneur-ship during 1757 to 1850
2. Development of entrepreneurship from 1830 on ward.
3. Speedy development of industrial entrepreneurship from 1924 on wards, when conditions for Indian entrepreneurship were made more conducive by protecting certain indigenous industries from the onslaught of British and other foreign industries.

**1.2.3. Post British Raj**

Historically entrepreneur-ship in India was limited to a few industrial centers like Bombay, Ahmedabad and Calcutta. It was concentrated in the hands of Parsis and Vaisyas (Gujarati and Marwari). The rigid caste structure adversely affected the industrial spread and entrepreneur-ship. After independence the Govt. of India realized the consequences of such a lopsided growth of industries and passed a series of industrial policy resolutions, and took a series of measures to broaden the base of entrepreneur-ship.

*Two important measures in this direction were,*

1. It set up various incentives and facilities for the development of small industry and
2. It set up financial institutions and other facilities whose main objective was to provide access of finance to entrepreneurs who lacked a market rating because of lack of industrial experience.

Although India’s development strategy seeks to tackle the twin problems of mass poverty and widespread chronic unemployment through rapid growth of industrial sector, the objective of augmenting development of entrepreneur-ship was
accorded very low priority in the first four five year plans covering the period 1951 to 1971. Scarcity of directly productive and social overhead capital was considered the primary cause of under development. Maximum attention was therefore paid to accelerating the rate of physical capital formation. The strategy for industrial development gave the highest priority to massive investment in basic and capital goods industries by setting up large public sector enterprises using advanced technology. With its commitment to establish a mixed economic system the industrial policy envisaged by the Govt. to assume the role of entrepreneur in promoting these high priority heavy investment industries. And in India, the Govt. has in fact played a significant entrepreneurial role by launching public sector enterprise in completely new modern industries which were non existent in pre independence period e.g. heavy machine tools, heavy electrical, fertilizer, locomotives, railway, coaches, petrochemicals, oil exploration and extraction, ship building, etc.

However faced with heavy budgetary deficits and limitations of its managerial resources, the Govt. had to turn to the well tested entrepreneurial capability, managerial expertise and vast financial resources of the big business houses to set up units in heavy and capital goods industries to meet the capacity targets of five year plans. Hence notwithstanding of “economic power” the Govt. had to encourage rapid growth of multinational corporations and Indian large business houses e.g. groups of companies under common family based control such as TATA, Birlas, Mafatalals, Thapars, Singhnania, etc whose experience in promoting and successfully operating large modern enterprises dated back to pre independence days. In this context, what is interesting to note is that while the political objective of assigning high priority to basic and capital goods industries was fulfilled. But in reality the public sector as well as the Indian big business houses have failed to provide the 'innovative' Entrepreneurship by choosing the soft option of importing proven, risk free foreign technology through technical collaboration agreements.
In this scheme of priorities of industrial development envisaged in the first four Five Years Plans, the small scale and cottage industries were to play a residual, secondary role. These industries were to be encouraged in the low technology, labor-intensive areas in which the big business houses would not want to enter on account of low profitability. And their growth was expected to attain the objectives that the large-scale industries cannot achieve, namely employment generation, reduction of regional disparities and supply of cheap and inferior quality consumption goods for the low-income groups. Further considering the low initial capital requirement of small industries, the Indian planners did not favor substantial allocation of plan funds to promote their development. It was assumed that what was required to accelerate the growth of small scale sector was to establish specialized financial institutions at the state level e.g. State Financial Corporation, State Industrial Investment Corporation etc. and create infrastructure facilities like Industrial Estates, Zones of industrial sheds on the periphery of big cities.

The strategy, for development of human resources was also dominated by the manpower requirement of large-scale industries during the first two decades of planning i.e. 1950 to 1970. Institutes of technology and schools of management were set up at large costs to increase the supply of specialized technologists, scientists, engineers and professional managers to meet the growing demand for highly skilled manpower generated by expansion of modern technology in large scale industries.

No serious attention was paid to the development of human resources required to promote growth of small and cottage industries because these industries were assumed to require only rudimentary managerial skill and semi skilled or unskilled labor. More important, it was assumed that incentives in the form of confessional financial assistance and subsidized land plots and other facilities would be sufficient to attract the small individual entrepreneurs to set up their own small business venture. In other words till 1970s the policy makers did not consider it necessary to devise any specific scheme and programs to develop and augment the supply of competent, highly motivated entrepreneur cum manager to launch small scale enterprises.
Chart No 6
Development Of Entrepreneurship and Evolution Of EDP In India:
At A Glance.

Development Of Entrepreneurship and Evolution Of EDP

Pre British Rule
(Before 1657)

British Rule
(1657-1947)

Post British Rule
(1947 Onward)

East India Company
(1657-1857)

British Govt.
(1858-1947)

(1947-1970)

(1970 Onwards)

Physical And Financial Facilities

Physical And Financial Facilities

Entrepreneurial Training

Evolution of EDP

Establishment Financial Institutions

Incentives Subsidies Etc.

Financial Institutions

Incentives, Subsidies, Etc.

Govt. Institutions \ Organizations

Semi Govt. Institutes

Private\Volunteer Organizations

State Level Technical Consultancy Organizations (TCO’s) e.g. MITCON

Small Industry Service Institute (SISI)

State Centers for Entrepreneurship Development e.g. MCED.

Nationalized Banks e.g. SBI, BOI, etc.
Education and Training are means of learning. Although learning is the common factor in both education and training, and they are theoretically interdependent and they overlap also, practically there is a difference between the two. These differences have become more complex due to the growth of diversified organized ventures, technological innovations, specialization of work and changes in work ethics.

Training is the part of the learning, which essentially imparts job, related knowledge, skills and attitudes in a person and is concerned with working life of human beings.

The Manpower Services Commissions Glossary of Training Terms (1981) defines training as a planned process to modify attitude, knowledge or skill behavior through learning experience to achieve effective performance in or activity or range of activities. Its purpose in the work situation is to develop the ability of the individual and to satisfy the current and future manpower needs of the organization.

From this point of view, training becomes specialized and practical means of learning and is directly associated with the jobs and tastes which a person performs in an organization.

Thus, training is basic to performance improvement. Development generally means progress made. It denotes the growth or realization of personal ability through conscious or unconscious learning. Development programs usually include elements of planned study and experience and are frequently supported by coaching or counseling facility.

In any sphere of activity the need for training has been recognized as necessary to achieve meaningful and reasonably good result. The objective of any
entrepreneurial training is to develop potential entrepreneurs enabling and equipping them to establish and successfully manage their own enterprises and finally to achieve healthy growth.

Previously most of the activities undertaken for entrepreneurial development were directed towards physical and financial facilities only. This was due to the belief that there will be an automatic flow of entrepreneurs if such activities are created. But there was no justification available from experiences. Such experiences support the view that financial and physical facilities are not the only crucial inputs in the entrepreneurship development but the man behind the project, that is personality of the entrepreneur, is also one of the essential inputs.

The importance of the personality lies in the fact that it is the man who has to have the will to grow necessary motivation to start and run the enterprise and strength to face difficulties related to building up and growth of enterprise. It is he who has to exhibit the necessary entrepreneurial motivation. It was during early sixties that an experiment was conducted in Kakinada (MP) and Vellore (TN) in which an attempt was made to show that entrepreneurship can be developed through training and need not to be a hereditary quality.

Much of this evidence has been aptly summarized by 'David C. Maclell and (1961, 67), Atkinson’ 1964 and ‘Heck houses’ 1967. These studies have provided convincing evidences to show that need to achieve that is urge to improve, is one of the very important variables associated with economic development. Maclelland concerned himself with economic growth and the factors that influence it. His main concern was to find out the internal factors i.e. human values and motives that lead man to exploit opportunities and to take advantage of favorable trade conditions. He along with research associates isolated several inner concerns or motives, the chief among which was called by him as need for achievement a desire to do well not so much for the sake of social recognition or prestige but for the sake of an inner feeling of personal accomplishment. It is this motive of achievement that guides the action of entrepreneurial people with high
achievement; behave in an entrepreneurial way as compared to people with low achievement.

The above experiment was the first program on motivation training for developing entrepreneurship in India organized by the ‘National Institute of Small Industries Extension Training (NISIET), ‘Hyderabad’ in 1964 under the leadership of David C Maclelland. In the first program 52 persons were trained in four batches, in Kakinada district of Andhra Pradesh. This was followed by another program in which 26 persons from Vellore in Tamil Nadu were trained in two batches in 1965.

Latter on NISIET evolved an integrated model for ‘Entrepreneurship Development Program’ based on its previous experiences. This model was first of all tried in Assam and similar programs were conducted later on in the state of Andhra Pradesh, Bihar and Jammu & Kashmir. During the period of April 1970 to September 1973, 1240 potential entrepreneurs were trained at different centers in Gujarat through a series of Entrepreneurship Development Programs (EDP’s) sponsored by the state level financial institutions.

Following the success of these EDPs entrepreneur-ship Development, though training came to be viewed as a useful instrument for widening and diversifying the entrepreneurial base of the country.

1.4 EVOLUTION OF EDP

During the previous decade (1970-80) it was mainly in the state of Gujarat that the EDP activity was undertaken in a sustained and effective manner. Between 1970 and 1979, in addition to its main development banking function, the GIIC conducted, as its secondary activity, 84 EDPs and trained 2134 entrepreneur and helped initiation of 1380 small enterprises. Encouraged by this incredible performance of GIIC in developing entrepreneurship through its EDP activity the state government of Gujarat together with four state level public financial and industrial promotional agencies, set up in 1979 the Centre for Entrepreneurship Development CED excessively devoted to conduct EDPs in Gujarat.
Within the first three years of its existence (1979-82) it conducted 164 EDPs, trained 4016 entrepreneurs and helped setting up of 2588 business enterprises. The all India public financial institutions, particularly the Industrial Development Bank of India (IDBI), were greatly impressed by the rapid expansion in the number and geographical spread of EDP activity in Gujarat and its efficacy in attracting potential entrepreneurs from very diverse socio demographic groups such as men and women, young and middle aged, upper and lower middle income groups, educated and uneducated, traditional artisans and science and technology graduates.

Encouraged by the success of EDP activity in Gujarat the All India Financial Institution as well as the state and central government decided to extend the Entrepreneurship Development movement to all parts of the country, particularly the economically backward regions. With this objective, the public financial institutions agreed to extend full financial support to state level agencies like Technical Constancy Organizations (TCO), Small Industry Service Institutions (SISI), and State Centers for Entrepreneurship Development (SCED), etc. to conduct EDPs in their states.

Moreover Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation of India (IFCI) and State Bank of India (SBI), decided to set up in 1983 in Ahmedabad (Gujarat), an all India institute, the ‘Entrepreneurship Development Institute of India (EDII)’, to serve as a national resource organization to facilitate, help, and guide the State level agencies, such as State Technical Consultancy Organization (16 TCOS) Small Industry Service Institution (15 SISIs), Branches of Nationalized Banks, state level entrepreneurship development institution, which are engaged in the task of conducting EDP’s in various states.

Another all India institution set up to serve more or less similar objectives was the National Institute of Entrepreneurship and Small Business Development (NISBUD) in New Delhi (1984). Keeping in view the national perspective, both
these organizations provide training to the EDP trainer motivators, help building up of state level institutes for Entrepreneur-ship Development, carry out demonstration, EDP’s extend faculty support, conduct action based research and organize international training programs for trainers from developing countries.

In the decade of 1980’s programs for promoting growth of entrepreneurship have become an important policy instrument. It is meant to attain certain socio-economic objectives, such as,

✓ widening the industrial base through expansion of small and medium scale industries,
✓ generation of employment opportunities,
✓ dispersal of ownership and control of industry development of backward regions,
✓ optimum use of scientific and technical manpower
✓ expansion of the non farming activities in rural areas and
✓ Improving the economic status of socially disadvantaged sectors such as rural poor, tribal, women etc.

A large number of institutes and organizations are at present engaged in conducting EDP’s with the objective of developing entrepreneurs, particularly the first generation entrepreneurs to set up small manufacturing or non manufacturing business and also to generate opportunities for self employment through tiny family business as substitutes for wage employment. According to a recent study conducted by the national Institute for Entrepreneurship and small Business Development (NIESBUD) at present there exist as many as 686 organizations engaged in a variety of training and research activities directed towards developing entrepreneurship in urban as well as rural areas. (NIESBUD, News Letter May-June 1987).

Of these 686 organizations engaged in promoting entrepreneurship as many as 616 are established or sponsored or financially supported, directly or indirectly by the central and state governments, all India and state level financial institutions and
public sector banks. Only 70 of them are set up by non government voluntary organizations.

Chart No. 7

Major Steps In Evolution Of 'EDP'
As Means Of Entrepreneurial Trainig
After Post Independence Of India.

- Prof. David C. Maclellan Experiment
  On n-Ach (Achievement need)
  (1964)

- GIIC Conducted EDP In Gujarat
  (Gujarat Industrial & Investment Corporation)
  (1970-79)

- Center For Entrepreneurship Development
  Gujarat
  (CED, 1979)

- Entrepreneurship Development Institute Of India
  Ahmedabad, Gujarat
  (EDII, 1983)

- National Institute Of Entrepreneurship And Small Business Development
  New Delhi
  (NIESBUD, 1984)

1.5 ENTREPRENEURSHIP DEVELOPMENT PROGRAM (EDP)

1.5.1. Introduction

Entrepreneurial talents exist in every society and in all cross-sections of people. In developed countries, the favorable socio-economic environment helps in exploiting latent entrepreneurial talents. However, in less developed and developing countries particularly in certain backward areas unfavorable socio-economic environment hinders the emergence of entrepreneurial talent.
In India, it is believed, that, tremendous latent entrepreneurial talent exists which, if properly harnessed, could help in solving many of the serious problems facing the country. Harnessing latent entrepreneurial talent through entrepreneurship training to various target groups of population is now considered to be a viable alternative to many of the problems like unemployment, brain drain etc. faced by the country.

The EDP is an important innovative break through in the strategy for developing human resources for promoting economic progress in India as well as in other underdeveloped countries. The EDP is an innovation, in that, those perso's who posses certain identifiable qualities of entrepreneurship are counseled, motivated and trained to strengthen their self confidence, seize a business opportunity, initiate an enterprise and be the masters of their destiny i.e. to become entrepreneurs, instead of passively waiting for suitable employment or continue suffering from frustration in their current jobs.

1.5.1. Meaning of EDP
Entrepreneurship Development Program (EDP) may be defined as "A program designed to help a potential individual in strengthening his entrepreneurial motive, and in acquiring skills and capability necessary for playing his entrepreneurial role effectively ".

1.5.2. Nature of EDP
The EDP is not an extended version of business management training program, where the primary aim is to provide theoretical and practical knowledge to manage production, finance, marketing and personnel of an existing enterprise with a view to minimize costs and maximize profits and growth of sale under given environment. In contrast an EDP brings about a sound combination of techniques of behavioral psychology tools of management science and available information of technology with a view to identify entrepreneurs particularly First Generation Entrepreneurs, strengthen their achievement motivation (N-Ach) and train in marketing and other areas of enterprise management so that they can confidently
start and successfully run their own business ventures which they choose under expert guidance and on the basis of necessary information regarding available market, governmental regulation financial incentives etc. Further an EDP also ensures that on completion of training the potential entrepreneurs are helped in making loan application, securing available incentives, seeking government approvals, choice of location etc.

Since it was in the state of Gujarat that EDPs were first conducted regularly, systematically and on effective scale, most state level agencies have adopted the method of EDP as developed in Gujarat. This model is also known as the integrated EDP models because the program package not only included the pre training, training modules consisting of selection, motivation, opportunity guidance, and management inputs but also provide the post training module comprising follow up inputs to assist the trained entrepreneur in starting his business enterprise. In short the integrated EDP model is so called because in single program it links all the stages involved in enterprise building from identification and development of an entrepreneur to the initiations of his enterprise. The three stages of this EDP model are, 1. Pre-training, 2. Training and, 3. Post Training.

1.5.4. Objectives of the EDPs

Main objectives of the EDPs are listed below.

1. Identification and careful selection of entrepreneurs for training.
2. Development of the entrepreneurial capabilities of the trainees.
3. Equipping the trainees with basic managerial understanding.
4. Ensuring a viable industrial project for each potential entrepreneur.
5. Helping him to secure the necessary financial, infrastructure and related assistance.

1.5.5. Structure of EDP.

As mentioned above, entire EDP is classified into three phases. These three phases are,
### 1.5.5.1. Pre Training stage

The pre-training stage relates to identification and selection of potential entrepreneurs on the basis of three assumptions, which are,

1. Although entrepreneurship is not exclusively intrinsic privilege of any particular sex, caste, community or race, every person cannot become an entrepreneur unless he / she possesses certain entrepreneurial traits or competencies.

2. The traits, which a person should possess in order to become a successful entrepreneur, are identifiable and measurable through application of certain psychological (i.e. behavioral tests, in-depth interviews and related socio cultural characteristics).

3. Persons showing evidence of possessing entrepreneurial trait can be developed to become successful entrepreneurs through specially designed package of training inputs.

The traits, which a potential entrepreneur should evince in order to be selected for training, are briefly stated as follows.

- The need (Urge) for achievement
- Inclination for calculated, moderate risk taking.
- Self-confidence and positive perception of one’s own abilities and limitations.
- Initiative to seize (or reach out for) an opportunity and independence in taking one’s own decisions.
• Problem solving that is to examine and approach problems with a view to solve them and not use them as excuses for inaction or failure.

• Optimistic about one’s future despite unfavorable present conditions.

• Information seeking attitude to remain alert to cease any favorable opportunity (or circumstances) that the surrounding environment may offer.

• Clarity about goals and priorities (What one wants and does not want) and planning a time bound program of tasks to attain chosen goals.

• The selection of participants for an EDP is done on the basis of ranking in the scores obtained in the tests specially derived to identify the above mentioned entrepreneurial traits or on the basis of their interview by a selection panel.

Only a limited number of participants can be selected for undergoing the training. The group generally varies from 25 to 30 candidates. Those who are low on above traits are rejected and the rest are invited for an interview. In the interview, the candidates are assessed on the basis of their understanding of what it takes to be an owner of a SSI and their commitment to entrepreneurial career and willingness to undergo all the exercises of the training with full involvement.

1.5.5.2. Training Stage.

The training stage involves classrooms sessions and field training. This is a core task, which helps in developing persons into entrepreneurs.

The main objectives of the training phase are,

1. Strengthen and develop motivation of the participants to be entrepreneurs.

2. Facilitate participants to make important decisions, concerning size of investment, factory location, opportunity selection, and project report preparation etc, for launching a new venture.

3. Develop entrepreneurial traits and managerial capabilities to enable participants to start and run newly created ventures successfully.
The training stage generally consists of following three modules or inputs.

1. **Achievement Motivation Training (AMT)** *(Behavioural inputs)*
   The aim of AMT is to strengthen the achievement needs, self-awareness and other entrepreneurial qualities with the help of various methods of Behavioural psychology.
   Motivation training helps participants become aware of their strengths and weaknesses and learn new behaviour, like that of successful entrepreneur. The inputs provided through a 5 days residential program, a total of 45 hours are devoted.

2. **Business opportunity Guidance (BOG) and selection of project.**
   The focus of these inputs is on the process of enterprise establishment. The main objective of this input is to facilitate participants to make important decisions and initiate action towards setting up new ventures.

   Sequentially information inputs are imparted first, which is followed by business opportunity guidance and project planning.

   Information inputs consist of imparting requisite knowledge on procedures and formalities involved in setting up of SSI, schemes of support facilities, assistance and incentives, role of various regulating agencies and support institutions, etc. Participants get acquainted with sources of information concerning their business.

   The trainee is given information and counselling about the various business opportunities in the area where EDP is conducted. These inputs are given to help participants select appropriate industrial opportunities, consistent with their experience, competence and financial resources.

   A number of feasible project ideas are shared by a team of experts, consisting of industrial consultants and entrepreneurs. Participants learn the process of spotting new opportunities and assess their viability. Industry experts, also provide them individual counselling on opportunities, they desire to consider. Once the
participants are convinced of the viability and suitability of the opportunity, they are encouraged to select and prepare plans for enterprise initiation.

After that field visits are arranged for participants. Through, field visits to existing successful enterprises in the surrounding area and interaction with their owners, they are given exposure to the problems and prospects of actually running a business enterprise.

The first step after having selected a specific opportunity is to prepare a project report. To do this, participants undertake market surveys to collect necessary data. Through this exercise, they gain an understanding of market dynamics, constraints and opportunities in their success. This helps them in working out project feasibility and mobilizes necessary resources like finance, technology, raw material, and skilled labor.

Last step is preparation of the project feasibility report for submission to the bank and/or financial institution.


This input is provided after the input on project report preparation. The potential trainee entrepreneur has not only to start a business venture but also to make it profitable through sound management. The EDP trainee is therefore introduced to the basics of finance, production, marketing and labor management. Small-scale entrepreneur has to manage all the functions of enterprise. They are, therefore, helped to gain expertise and confidence in managing functional areas like production, finance, personnel and marketing.

Since marketing is a critical area, emphasis is placed on developing the participant’s marketing skills, forecasting and selling. To help them perform managerial functions effectively, a number of soft skills viz. creativity, communication, problem-solving etc. are developed among them.
4. Post - Training Stage

The post training stage is included in the EDP package mainly to ensure that the trained entrepreneur after being given the strong dose of motivation and training is not left in the lurch and to fend for himself.

Being a small man with little capital and no business experience, the EDP trainee needs lots of help, guidance and supportive information from the EDP trainer-motivator, between the decisions to start an enterprise and actually establishing it. Thus the post training input of EDP mainly consist of follow up support, guidance and counselling for preparing application for financial assistance, getting sanction for loans, selection and securing of suitable location, getting governmental approvals / registrations under various statutes etc.

1.5.6. Methodology

A variety of training methods are used which include classroom training, field training (including industrial visit and in plant training), lecture and case studies, experience sharing, discussions, individual and group counselling, field survey, etc. These methods of learning are selectively used to strengthen the conceptual base of participants' vis-à-vis development of skills and competencies.

1.5.7. Duration

The training input can be provided either on part time basis or full time basis. A full time program lasts six weeks, while a part time program is of 12 weeks duration.

1.5.8. Weightage of the inputs

A training phase is spread over 6 week’s full time or 12 weeks part time training. The weightage of various inputs in terms of numbers of hours are given below

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Weightage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behavioural Input</td>
<td>45 Hrs.</td>
</tr>
<tr>
<td>Business opportunity guidance Information and project planning</td>
<td>66 Hrs.</td>
</tr>
<tr>
<td>Management Inputs</td>
<td>69 Hrs.</td>
</tr>
<tr>
<td>Total</td>
<td>180 Hrs.</td>
</tr>
</tbody>
</table>
Chart No.8

Structure Of Integrated EDP

EDP

Pre Training Stage

Identification & Selection Of Potential Entrepreneurs

Training Stage

Achievement Motivation Training (AMT)

Business Opportunity Guidance (BOG)

Field Visit

Interaction with owners of existing Enterprises

Management

Financial

Production

Marketing

Labour

Post Training Stage

Follow up

Guidance

Counselling
1.5.9. Faculty

The entire EDP is coordinated and conducted by a trainer – motivator who is trained through an ‘Accredited Trainers’ Course at EDI. The ‘trainer – motivator’ is involved fully from center selection to the follow up phase. He is the backbone of the EDP. A ‘trainer- motivator’ plays multiple roles of an ‘administrator’, ‘liaison officer’, ‘training manager’, ‘trainer’, ‘counselor’ and ‘technical adviser’.

Most of the business management inputs are given by managers / professionals of various disciplines, bankers, technical consultancy organizations and small-scale entrepreneurs.

1.5.10. Pre-requisites of EDP.

There are certain conditions, which are required for conducting an EDP successfully.

- Several potential opportunities in diverse areas are to be identified before the start up of an EDP. The identified opportunities should be largely based on potentials of local resources and market demand. This enables the preparation of project plans early by the participants.

- The trainer motivator plays a key role in the entire process of EDP. A dedicated and committed trainer motivator with strong aptitude for developmental work is a must. He should be well trained and experienced in industrial and entrepreneur development with adequate understanding of behavioral sciences.

- As a part of opportunity guidance, participants are given technical training in industrial units. In case, these are not adequate in the center, arrangement should be made to provide this training in other industrial towns.
1.5.11. Variations of EDP

On the basis of specific needs of target group, variations in the weightage of the inputs, delivery mechanism, promotional campaign, selection procedure of potential target group and post training are made.

It has been noted that target groups like women, ex-servicemen and rural poor have certain specific needs because of their background. Similarly, they face certain other constraints, which normally other target groups do not. For example, women in India have to shoulder dual responsibility of home and business while men do not have to. After retirement, ex-service men do not want to risk their hard-earned money. Rural poor also have to face several constraints.

1.6. Maharashtra Center for Entrepreneurship Development (MCED)

1.6.1. Introduction

MCED is a Nodal Agency and professionally managed institute for Entrepreneurship Development activities in the state of Maharashtra. It is registered under the Charitable Trust Act. It is promoted by Government of Maharashtra and actively supported by State Industrial Corporation like MSSIDC, MSFC, SICOM, MIDC, MELTRON and MITCON.

1.6.2. Background

In 1965, the first experiment of entrepreneurship development was carried out by Dr. David McClelland and his associates which prove that entrepreneurs can be developed if systematically identified and trained. Dr. Manoher Nadkarni who is known as the “Father of entrepreneurship” started the movement of entrepreneurship in Maharashtra, along with his associates. His experiments in the field of entrepreneurship were being recognized from 1970. At the same time in Gujarat, a comprehensive Integrated Model which emerged as, EDP was
introduced. GIIC & GSFC encouraged this EDP activity in Gujarat, because of good results it gives.

Subsequently, EDP activities were supported by formation of Center for Entrepreneurship Development (CED), and national Level institute i.e. Entrepreneurship Development Institute of India. EDI-I. At the same time in Maharashtra, EDP activities were initiated by, State Bank of India in 1971. Few EDPs were conducted in backward districts of Maharashtra. However, till 1984, EDP activities in Maharashtra had not taken good shape. During this period few other organizations like NIMID, MSSIDC, MSFC and Regional Development Corporations used to conduct EDPs of varying durations ranging from 1 day to few weeks. In order to achieve the objective of industrial development, regional balance and employment, a study team was appointed. This team realized the importance of supply of entrepreneurs to accelerate the industrial growth. The success of small industries depends on the man behind i.e. Entrepreneurs.

Meanwhile, from 1984 to 1988 Oct., the activity of entrepreneurship development was systematically carried out by Maharashtra Industrial Technical Consultancy Organization (MITCON) under the leadership of Shri. S.P. Ranade. During this period MITCON had conducted about 34 EDPs in various parts of States of different target groups and also trained 17 Trainer Motivator to conduct EDPs. In fact it was MITCON, which created a strong base for MCED and entrepreneurship development activities in Maharashtra.

Before 1984, right from 1970, this activity of entrepreneurship development is known to Maharashtra, but it was not popularized rather not institutionalized. Initially, the programs were more information oriented but in later years the motivational aspects and management inputs were incorporated in EDPs.

MCED started functioning from October 1988 with an idea to develop strong base for EDP activities. MCED accepted its objective as “Entrepreneurial Society’. To achieve this goal of Entrepreneurial Society, MCED has developed various training modules for different target groups. MCED is not only training
prospective entrepreneurs but also intends to cater to the need of existing entrepreneurs.

1.6.3. Head Office

MCED has it head office at Aurangabad which is located in Central Maharashtra, popularly known as Marathwada.

1.6.4. Organizational Structure

To fulfill the need of mass education and to achieve the goal of 'Entrepreneurial Society' MCED has adopted the district level organizational pattern / approach. To support this District approach, six Regional Offices were created. Regional Office supports activities through pool of experts (Associate Faculty) and also monitoring the activities.

Considering the demand, scope for further development activities and to support trainers and beneficiaries, many activities and training programmers are developed at MCED Head Office.

1.6.5. Experience available with MCED Head Office

MCED has gained significant experience and expertise over the years in following areas.

- Micro Enterprise Development
- Self Employment
- Promotion of Small Scale Industries / Enterprises
- Management / Institutional Development
- Mass education
- Training Consultancy
- Trainer's Training Programs.
1.6.6. Infrastructure support (Head Office)

- Strong network of District through regional offices.
- Own Offices at six regional offices
- Hostel facilities
- Strong Data base, Library
- Good In -house faculty.
- Training aids / Equipments, Training Halls, Computer Network.

1.6.7. Activities of the MCED

The various activities of the MCED include, conducting programs as following,

- Entrepreneurship Development Programs (EDP)
- Entrepreneurship Awareness Camps (EAC)
- Business Opportunity Guidance Program (BOGP)
- Management Development Programs (MAD)
- Self-employment Oriented Entrepreneurship Development Program.
- Program for Overcoming Sickness in Industries,
- Group Entrepreneurship Training
- Programs like MICRO EDP, for Below Poverty Line (BPL) People.

1.6.8. Other activities

- Publications of literature for entrepreneurship
- Organization of Exhibitions / Discussions / Workshops.

1.6.9. EDP Model

MCED uses EDI-I EDP model with minor modifications.
1.6.10. Objectives of the EDP

- Making the participants aware of the schemes, support and role of the industrial development.
- To equip them with the knowledge about selecting their own product.
- To make them aware about entrepreneurial personality development.
- To make them aware of managerial inputs for successful implementation.
- To equip themselves for preparing their own project report etc.

1.6.11. Conducting of the program

➢ Pre training activity
- Identification of potential entrepreneurs
- Selection procedure

➢ Training phase
- Information inputs
- Business opportunity guidance
- Achievement motivation training
- Market survey
- Management inputs
- Feed back report on AMT

➢ Post training activity
- Post training supports system
- Monitoring and follow up

1.6.12. Core inputs provided in EDP’S

- Information inputs
- Business opportunity guidance
- Achievement motivation training
- Market survey
- Management inputs
Information inputs
- To give information on various schemes, procedures formalities to be completed by entrepreneurs.
- To establish a rapport between the candidate and the concern officers form various financial and developmental institutions. Govt.Officers.
- To make participants aware of infrastructure available in these institutions.

Business Opportunity Guidance
- What is business?
- Opportunity (Need + Competence = Opportunity)
- Operative thinking and tools for the same.
- SOWT Analysis
- Environmental search and scanning to find out product ideas.
- To select 2 to 3 products.

Preliminary Project Report
- Exercise own project report preparation
- To know more about other technical information to be collected during market survey
- To know whether a project selected is feasible or not

Achievement Motivation Training (AMT)
It is generally given, before trainees go into the field. Participants after meeting a lot of people in market, get frustrated. Most of the participants, over or under estimate, them selves, while selecting 3 to 4 project at a time. Here they need some motivational in puts. Hence AMT was conducted before actual market survey.
- To know themselves better.
- To enhance entrepreneurial and achievement motivation.
Market survey

- To know the demand and supply position of identified product
- To confirm feasibility or non-feasibility of identified product.
- To know better, competitors in the market
- To know the financial position of identified product.

Factory visit

- To observe the actual work in the factory
- To have direct interaction with entrepreneur at his factory.

Management Inputs

Introduction of Concept of Modern Management and its implementation in their own enterprises.

- Basic accountancy
- Funds Management
- Advertisement and salesman
- Marketing Management
- Personnel Management
- Production planning and control
- Problems in SSI.

Entrepreneurial Personality Development

- Decision making
- Listening skills,
- Positive thinking,
- Assertiveness
- Problem Solving, etc.

1.6.13. Selection Procedure

- Scrutiny of applications
- Written Test
  - Sentence Completion Test
  - Paired Comparison test
• Who Am I?
  ✓ Goal setting
  ✓ Internal or External
  ✓ Resource Awareness
• Thematic Appreciation Test
• Personal interview

1.6.14. Conduct of the program
• Information inputs
• Business opportunity guidance
• Achievement motivation training
• Market survey
• Management inputs
• Feed back report on AMT
• Post training supports system
• Monitoring and follow up

1.6.15 A report on EDP (General)
• Family background and supports
• Present occupation / activities
• Why does trainee want to join this program? (His satisfaction / dissatisfaction from present occupation).
• His plans after completion of the course as far as his present occupation are concerned (Such as whether he will continue it, etc.)
• Any attempt made to establish a SSI unit. Determination of setting own unit even though trainee may be having good future scope in the present career.
• Flexibility in selection of product
• Trainee’s own margin for investing in enterprises plus trainee's own assets, if any.
• Expectations from this program
- Emphasize the area where each trainee can prove the capability.
  - Financial position
  - Technical capabilities
  - Advertising ability
  - Behavioral aspects

**Chart No.9**

Details of program inputs and weight age in terms of hours.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Subject</th>
<th>No. of hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Information Inputs</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>• DIC – Registration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• MSFC- Approval</td>
<td></td>
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<tr>
<td></td>
<td>• Micro lab</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• KVIC – Role of: Motivation of rural youth.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• DIC-schemes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• MSEB –Role / Scope / formalities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• FDO- License / formalities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Labor Act and shop act: Role of and formalities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• How to deal with govt./ agencies.</td>
<td></td>
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<tr>
<td></td>
<td>• Role of lead bank</td>
<td></td>
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<tr>
<td></td>
<td>• MGGC Meeting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Interview with successful entrepreneurs</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Business opportunity Guidance</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>• How to find out new product</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Environmental scanning</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Opportunities in plastic industry.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Opportunities in food based industry.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Opportunities in rubber industry</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Opportunities in engineering industry</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Preliminary Project Report (PPR)</td>
<td>6</td>
</tr>
<tr>
<td>4.</td>
<td>Achievement Motivation Training</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>• Achievement Motivation Training</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Market Survey</td>
<td>5 Days</td>
</tr>
<tr>
<td></td>
<td>• Market survey :Field work</td>
<td>(6 Hrs /Day)</td>
</tr>
<tr>
<td></td>
<td>• Review of market survey</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Market survey: How to carry out, Preparing questionnaire, etc.</td>
<td></td>
</tr>
</tbody>
</table>
1.7. NEED OF THE PRESENT STUDY

‘Studying Effectiveness’ is treated as the study of whether training or an education intervention brings about intended results. The intended results of EDP must be derived from its objectives and training inputs, which in turn must constitute evaluation objectives. Thereafter evaluation is conducted to ascertain effect of the training.

Evaluation of an EDP is different from evaluation of technical training especially in respect of behavior and impact evaluation. Technical training is basically directed at improving skill. On the contrary entrepreneurial training is directed at improving one or more of the aspects like knowledge, skill and attitude related to entrepreneurial tasks.
This makes an evaluation of this type of training comparatively difficult and linking the impact of training with the business results of an organization poses a great challenge to any evaluation effort. However appropriate evaluation strategy, objectives and methods may provide enough evidence showing impact of the training.

The need of an evaluation system of training organization arises from several considerations.
Firstly, a training program developed for a specified group of learners following the training system has to be suitably modified in the light of training requirement of every new batch of learners. Because, only suitable, effective and relevant training program is capable of producing results, at the organizational level as well as personal level.

Secondly, effective implementation of the training program to the satisfaction of learners increases the intake of learning. If learning has not improved the trained person cannot show results afterwards, nullifying the evaluation efforts after training.

Thirdly, the linkages among the various stages of the training system and ultimate linkage between the training and the organizational result, takes place through a chain reaction along the levels of impact by various stages of evaluation after training.

Thus evaluation of the program serves to show up the weak links in the overall program and if continuously done, remedial action can be taken at an early stage either by correcting some faults or re-framing the program. Thus it is the evaluation process, which provides lively cohesion among the components of training and makes the impact generating. Evaluation efforts make a training system program need based, result oriented and dynamic.
Pre-training and during training evaluations are directed at improving the effectiveness of the training program while post training evaluation is concentrated on finding the impact generated by the training.

The most important problem arising from mushroom growth of EDP conducting agencies is the rapid but unplanned increase in the number of EDPs conducted by them for widely diverse target groups in the absence of any machinery, the failure to provide some built in device / procedure to regularly monitor and periodically evaluate the result of every EDP conducted by an organization with funds from a public financial institution, government or nationalized bank. As a result the organizations, which conduct EDPs as their primary or subsidiary activity, are not required to be accountable to any overseeing agency in respect of the effectiveness of the EDPs conducted by them. Moreover the funding arrangements with the financial institutions do not provide for any built in obligation to monitor the progress and results of each and every EDP conducted by an agency. The absence of accountability to monitor and evaluate results is a serious deficiency considering the method of financing EDP activity in India. The training of 6 to 12 weeks provided through EDP is free of cost for a selected potential entrepreneur because the entire cost is born by the financial institutions or a nationalized bank. Even for EDP conducting organization, this activity is cost-less because its overheads and direct costs of an EDP are paid for by the funding organization. More important, nothing by way of ‘performance’ is expected either from the trained entrepreneur or from the agency conducting an EDP. The trainee is not expected to show that despite his strengthened need achievement ‘he is going to make at least some use of the training and post training inputs received by him. As for the EDP conducting organization, it is immaterial and inconsequential whether a potential entrepreneur who is supposed to have been carefully selected for his entrepreneurial traits actually becomes or tries to become or at least show keenness to become an entrepreneur in a reasonable period after the completion of training.

The absence of any machinery to monitor and evaluate the results of every EDP with regular periodicity has led to another serious problem. The EDP activity is progressing rapidly covering all the developed and under developed regions of the
country. Several thousands of small, mostly First Generation Entrepreneurs here already have been trained and a few thousands are being trained every year and yet after a decade of experience in EDP activity one cannot get reliable, regular time, series data relating to the effectiveness of EDPs in terms of.

1. Developing well round competent and successful first generation entrepreneurs and.

2. Generating viable opportunities for permanent self-employment.

1.8 OBJECTIVES

Main objectives

1. To carry out empirical study of the effects of the EDP of sample EDP participants to find out,
   - To what extent EDPs have been able to develop, competent and successful first generation entrepreneurs.
   - New business / activities started by the participants.
   - Present status of the ventures started by the EDP participants
   - To what extents the EDP’s have been successful in generating viable project opportunities for EDP participants.

2. To identify weak points of EDP which could / major constrains to success of EDP as perceived by the participants.

3. To find out the status of the follow-up meetings conducted by the MCED.

4. To suggest improvement in the EDP curriculum, structure and Methodology, if necessary.

8. To find out the role-played by the MCED after completion of the course.

Secondary Objectives

1. To understand and highlight the need for evaluation of EDP under the changed circumstances.
2. To carry out empirical study of the effects of the EDP of sample EDP participants to find out,
   - Fixed capital investment made by the participants turned entrepreneurs.
   - Number of people employed by the entrepreneurs business.
   - Total investment made in the venture

3. To identify the benefits and relevance of the factory visits in relation with business started by the participants.
4. To identify the overall contribution of the EDPs in development of various skills development.

1.9 HYPOTHESES

- EDPs normally help in smooth and successful Entrepreneurship Development. EDP’s conducted by Govt. / Semi Govt. Institutes, thus result in the growth of the Nos. of Entrepreneurs and expansion of business and manufacturing activities in a given area / region.
- Selection of trainees and follow - up support to trainees form EDP conducting organization are the two important aspects of EDP programme, if properly done, will increase success ratio of EDP conducted.
- Now a day’s entrepreneurship in service industries is more prevalent among the new breed of entrepreneurs.
- EDP contains more theoretical information.
- The course participants start usually the same business for which they have prepared project report during EDP course.

1.10. LIMITATIONS OF THE STUDY
1. As the questionnaire was exhaustive and demanding, personal interviews, was the only alternative available to collect detailed information for the given purpose. However to locate the entrepreneurs \ trainees was a very difficult task as the addresses given by the MCED were not sufficient to reach to the entrepreneurs. Many had changed the place. Because of these
reasons around 150 participants had to be contacted to collect 100 completely filled-in questionnaires.

2. Since the sample is not large, the findings of the study may be treated as exploratory rather than conclusive.