CHAPTER I
INTRODUCTION

Normally in a study on Entrepreneurial Development, one would expect in the first chapter to be exposed to the concept of entrepreneur and its related aspects. This chapter is accordingly designed to deal with the same. Let us begin with the evolution of the concept of entrepreneur.

EVOLUTION OF THE CONCEPT OF ENTREPRENEUR

The word ‘entrepreneur’ has been taken from the French language where it cradled and originally meant to designate an organiser of musical or other entertainments. Oxford English Dictionary (in 1897) also defined an entrepreneur in similar way as “the director or a manager of a public musical institution, one who ‘get-up’ entertainment, especially musical performance.” In the early 16th century, it was applied to those who were engaged in military expeditions. It was extended to cover civil engineering activities such as construction and fortification in the 17th century. In the early 16th century, it was applied to those who were engaged in military expeditions. It was extended to cover civil engineering activities such as construction and fortification in the 17th century. It was only in the beginning of the 18th century that the word was used to refer to economic aspects. In this way, the evolution of the concept of entrepreneur is considered over more than four countries. Since, then, the term ‘entrepreneur’ is used in various ways and various views. These views are

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broadly classified into three groups, namely, risk-bearer, organiser and innovator. Now, we are discussing below each of these views.

**Entrepreneur as a Risk-Bearer**

Richard Cantillon, an Irish man living in France, was the first who introduced the term 'entrepreneur' and his unique risk-bearing function in economics in the early 18th century. He defined entrepreneur as an agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future. He illustrated a farmer who pays out contractual incomes which are certain to the landlords and labourers and sells at prices that are uncertain. He further states that so do merchants also who make certain payments in expectation of uncertain receipts. Thus, they too are risk-bearing agents of production.

Knight also described entrepreneur to be a specialised group of persons who bear uncertainty. Uncertainty is defined as a risk which cannot be insured against and is incalculable. He, thus, draws a distinction between ordinary risk and uncertainty. A risk can be reduced through the insurance principle, where the distribution of the outcome in a group of insurances is known. On the contrary, uncertainty is the risk which cannot be calculated.

The entrepreneur, according to Knight, is the economic functionary who

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undertakes such responsibility of uncertainty which by its very nature cannot be insured, nor capitalised or salaried too.

**Entrepreneur as an Organiser**

Jean-Baptiste Say, an aristocratic industrialist, with his unpleasant practical experiences developed the concept of entrepreneur a little further which survived for almost two centuries. His definition associates entrepreneur with the functions of coordination, organisation and supervision. According to him, an entrepreneur is one who combines the land of one, the labour of another and the capital of yet another, and, thus, produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to labourers and what remains is his/her profit.\(^1\) Thus, Say has made a clear distinction between the role of the capitalist as a financer and the entrepreneur as an organiser. He further elaborates that in the course of undertaking a number of complex operations like obstacles to be surmounted, anxieties to be suppressed, and misfortunes to be repaired and expedients to be devised, three more implicit factors are deemed to be essential. These are:

1. Moral qualities for work judgement, perseverance and knowledge about the business world.

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\(^1\) J.B. Say, *Production, Distribution and Consumption of Wealth*, John Grigg No.9, North Forth Street, Philadelphia, 1827, pp.285-286
2. Command over sufficient capital, and
3. Uncertainty of profits.

Marshall\(^1\) also advocated the significance of organisation among the services of special class of business undertakers.

**Entrepreneur as an Innovator**

Joseph A. Schumpeter, for the first time in 1934, assigned a crucial role of innovation to the entrepreneur in his magnum opus *Theory of Economic Development*. Schumpeter considered economic development as a discrete dynamic change brought by entrepreneur by instituting new combinations of production, i.e. innovations.\(^2\) The introduction of new combination of factors of production, according to him, may occur in any one of the following five forms:

1. The introduction of a new product in the market.
2. The instituting of a new production technology which is not yet tested by experience in the branch of manufacture concerned.
3. The opening of a new market into which the specific product has not previously entered.
4. The discovery of a new source of supply of raw material.

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5. The carrying out of the new form of organisation of any industry by creating of a monopoly position or the breaking up of it.

Schumpeter also made a distinction between an inventor and an innovator. An inventor is one who discovers new methods and new materials. And, an innovator utilises inventions and discoveries in order to make new combinations.

In sum, the concept of the entrepreneur is intimately associated with the three elements — risk-bearing, organising and innovating. Thus, an entrepreneur can be defined as a person who tries to create something new, organises production and undertakes risks and handles economic uncertainty involved in enterprise.

CHARACTERISTICS OF AN ENTREPRENEUR

If we go through the business history of India, we come across the names of persons who have emerged as successful entrepreneurs. For example, Tata, Birla, Modi, Dalmia, Kirlosker and others are well-known names of successful entrepreneurs in the country who started their business enterprises with small size and made good fortunes. Success or otherwise of a small enterprise is, to a great extent, attributed to the success or otherwise of the entrepreneur himself/herself. Then, the question is: What makes the entrepreneurs successful? Whether they had anything common in their
personal characteristics? The scanning of their personal characteristics shows that there are certain characteristics of entrepreneurs which are found usually prominent in them. The principal ones are scanned and discussed here:

1. **Hard work**: Willingness to work hard distinguishes a successful entrepreneur from unsuccessful one. The entrepreneur with his tedious, sweat-filled hours and perseverance revive their business even from on verge of failure. In nutshell, most of the successful entrepreneurs work hard endlessly, especially in the beginning and the same becomes their whole life.

2. **Desire for High Achievement**: The entrepreneurs have a strong desire to achieve high goals in business. This high achievement motive strengthened them to surmount the obstacles, suppress anxieties, repair misfortunes and devise expedients\(^1\) and only set up and run a successful business.

3. **Highly Optimistic**: The successful entrepreneurs are not disturbed by the present problems faced by them. They are optimistic for future that the situations will become favourable to business in future. Thus, they can run their enterprises successfully in future.

4. **Independence**: One of the common characteristics of the successful entrepreneurs has been that they do not like to be guided by others and to

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follow their routine. They resist being pigeonholed. They liked to be independent in the matters of their business.

5. **Foresight**: The entrepreneurs have a good foresight to know about future business environment. In other words, they well visualise the likely changes to take place in market, consumer attitude, technological developments, etc. and take timely actions accordingly.

6. **Good Organiser**: Different resources required for production are divorced from each other. It is the ability of the entrepreneurs that brings together all resources required for starting up an enterprise and then to produce goods.

7. **Innovative**: Production is meant to meet the customers’ requirements. In view of the changing taste of customers from time to time, the entrepreneurs initiate research and innovative activities to produce goods to satisfy the customers’ changing demands for the products. The research institutes/centres established by Tata, Birla, Kirloskar etc. are examples of the innovative activities taken by the successful entrepreneurs in our country.

**DISTINCTION BETWEEN AN ENTREPRENEUR AND A MANAGER**

Sometimes, the two terms, namely, an entrepreneur and a manager are considered as synonym, i.e. meaning the same. In fact, the two terms are two
economic concepts meaning two different meanings. The major points of
distinction between the two are presented in following table.

TABLE 1
DIFFERENCE BETWEEN AN ENTREPRENEUR AND A
MANAGER

<table>
<thead>
<tr>
<th>Points</th>
<th>Entrepreneur</th>
<th>Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Motive</td>
<td>The main motive of an entrepreneur is to start a venture by setting up an enterprise. He understands the venture for his personal gratification</td>
<td>But, the main motive of a manager is to render his services in an enterprise already set by someone else.</td>
</tr>
<tr>
<td>2. Status</td>
<td>An entrepreneur is the owner of the enterprise</td>
<td>A manager is the servant in the enterprise owned by the entrepreneur</td>
</tr>
<tr>
<td>3. Risk-bearing</td>
<td>An entrepreneur being the owner of the enterprise assumes all risks and uncertainty involved in running the enterprise</td>
<td>A manager as a servant does not bear any risk involved in the enterprise</td>
</tr>
<tr>
<td>4. Rewards</td>
<td>The reward an entrepreneurs gets for bearing risks involved in the enterprise is profit which is highly uncertain</td>
<td>A manager gets salary as reward for the services rendered by him in the enterprise. Salary of a manager is certain and fixed.</td>
</tr>
<tr>
<td>5. Innovation</td>
<td>Entrepreneur himself thinks over what and how to produce goods to meet the changing demands of the customers. Hence, he acts as an innovator also called a change-agent.</td>
<td>But, what a manager does is simply to execute the plans prepared by the entrepreneur. Thus, a manager simply translates the entrepreneur’s ideas into practice</td>
</tr>
<tr>
<td>6. Qualifications</td>
<td>An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk bearing ability and so on.</td>
<td>On the contrary, a manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.</td>
</tr>
</tbody>
</table>
After going through the above points of distinctions, it is clear that an entrepreneur differs from a manager. At times, an entrepreneur can be a manager also, but a manager cannot be an entrepreneur. After all, an entrepreneur is a owner, but a manager is a servant.

FUNCTIONS OF AN ENTREPRENEUR

An entrepreneur does perform all the functions necessary right from the genesis of an idea upto the establishment of an enterprise. These can be listed in the following sequential manner.

- Idea generation and scanning of the best suitable idea.
- Determination of the business objectives.
- Product analysis and market research.
- Determination of form of ownership/organisation.
- Completion of promotional formalities.
- Raising necessary funds.
- Procuring machine and material
- Recruitment of men
- Undertaking the business operations.

Kilby has enumerated about 13 functions of an entrepreneur. While others can also add certain more functions to this list, the said functions
appear to be major ones. For our convenience, we have classified all the entrepreneurial functions into three broad categories:

1. Risk Bearing
2. Organisation
3. Innovation

**TYPES OF ENTREPRENEURS**

Clearance Danhof¹, on the basis of his study of the American Agriculture, classified entrepreneurs in the manner that at the initial stage of economic development, entrepreneurs have less initiative and drive and as economic development proceeds, they become more innovating and enthusiastic. Basing on this, he classified entrepreneurs into four types. These are discussed in seriatim.

1. **Innovating Entrepreneurs:** An innovating entrepreneur is one who introduces new goods, inaugurates new method of production, discovers new market and reorganises the enterprise. It is important to note that such entrepreneurs can work only when a certain level of development is already achieved, and people look forward to change and improvement.

2. **Imitative Entrepreneurs:** These are characterised by readiness to adopt successful innovations inaugurated by innovating entrepreneurs. Imitative

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¹ Clarence Danhof, Observation on Entrepreneurship in Agriculture, In: A Cole (Ed) Change and the entrepreneur, Harvard University, Cambridge, 1949, p.70
entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others. Such types of entrepreneurs are particularly suitable for the under-developed regions for bringing a mushroom drive of imitation of new combinations of factors of production already available in developed regions.

3. **Fabian Entrepreneurs:** Fabian entrepreneurs are characterised by very great caution and scepticism in experimenting any change in their enterprises. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position in the enterprise.

4. **Drone Entrepreneurs:** These are characterised by a refusal to adopt opportunities to make changes in production formulae even at the cost of severely reduced returns relative to other like producers. Such entrepreneurs may even suffer from losses but they are not ready to make changes in their existing production methods.

Following are some more types of entrepreneurs listed by some other behavioural scientists:

**Solo Operators:** These are the entrepreneurs who essentially work alone and, if needed at all, employ a few employees. In the beginning, most of the entrepreneurs start their enterprises like them.
**Active Partners:** Active partners are those entrepreneurs who start/carry on an enterprise as a joint venture. It is important that all of them actively participate in the operations of the business. Entrepreneurs who only contribute funds to the enterprise but do not actively participate in business activity are called simply partners.

**Inventors:** Such entrepreneurs with their competence and inventiveness invent new products. Their basic interest lies in research and innovative activities.

**Challengers:** These are the entrepreneurs who plunge into industry because of the challenges it presents. When one challenge seems to be met, they begin to look for new challenges.

**Buyers:** These are those entrepreneurs who do not like to bear much risk. Hence, in order to reduce risk involved in setting up a new enterprise, they like to buy the ongoing one.

**Lifetimers:** These entrepreneurs take business as an integral part of their life. Usually the family enterprise and businesses which mainly depend on exercise of personal skill fall in this type/category of entrepreneurs.

**INTRAPRENEUR**

Of late, a new breed of entrepreneurs is coming to the fore in large industrial organisations. They are called intrapreneurs. They emerge from
within the confines of an existing enterprise. In big organisations, the top executives are encouraged to catch hold of new ideas and then convert these into products through research and development activities within the framework of organisation. The concept of intrapreneurship has become very popular in developed countries like America. It is found that an increasing number of intrapreneurs is leaving their jobs in big organisations and is starting own enterprises. Many of such intrapreneurs have become exceedingly successful in their ventures. What is more that they are causing a threat to the organisations they left? Such intrapreneurs breed to the innovative entrepreneurs who inaugurate new products.

Having understood the meanings of entrepreneur and intrapreneur, now the two can easily be distinguished from each other on the following bases:

<table>
<thead>
<tr>
<th>Difference</th>
<th>Entrepreneurs</th>
<th>Intrapreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependency</td>
<td>An entrepreneur is independent in his operations</td>
<td>But, an intrapreneur is dependent on the entrepreneur i.e. the owner</td>
</tr>
<tr>
<td>Raising of funds</td>
<td>An entrepreneur himself raises funds required for the enterprise</td>
<td>Funds are not raised by the intrapreneurs.</td>
</tr>
<tr>
<td>Risk</td>
<td>Entrepreneur bears the risk involved in the business</td>
<td>An intrapreneur does not fully bear the risk involved in the enterprise.</td>
</tr>
<tr>
<td>Operation</td>
<td>An entrepreneur operates from outside</td>
<td>On the contrary an intrapreneur operates from within the organisation itself.</td>
</tr>
</tbody>
</table>
CONCEPT OF ENTREPRENEURSHIP

Like other economic concepts, entrepreneurship has been a subject of much debate and discussions. It is an elusive concept. Hence, it is defined differently by different authors. While some call entrepreneurship as risk-bearing others view it innovating and yet others consider it thrill-seeking. Let us consider some important definitions of entrepreneurship to understand what entrepreneurship is all about.

In a Conference on Entrepreneurship held in United States, the term entrepreneurship was defined as follows:

“Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking appropriate to the opportunity, and through the communicative and management skills to mobilise human, financial and material resources necessary to bring a project to fruition.”

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

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1 John Kao and Howard Stevenson (Eds), Entrepreneurship...What it is and How to Teach it, Division of Research, Harvard Business School, 1984
According to Schumpeter, Entrepreneurship is based on purposeful and systematic innovation. It included not only the independent businessman but also company directors and managers who actually carry out innovative functions.¹

In all above definitions, entrepreneurship refers to the functions performed by an entrepreneur in establishing an enterprise. Just as management is regarded as what managers do, entrepreneurship may be regarded as what entrepreneurs do. In other words, entrepreneurship is the act of being an entrepreneur. Entrepreneurship is a process involving various actions to be undertaken to establish an enterprise. It is, thus, process of giving birth to a new enterprise.

Innovation and risk-taking are regarded as the two basic elements involved in entrepreneurship. Let us understand what these two terms actually mean.

**Innovation:** Innovation i.e., doing something new or something different is a necessary condition to be called a person as an entrepreneur. The entrepreneurs are constantly on the look out to do something different and unique to meet the changing requirements of the customers. They may or may not be inventors of new products or new methods of production, but

¹ J.A.Schumpeter, Op.Cit., p.93
they possess the ability to foresee the possibility of making use of the inventions for their enterprises. Let some facts speak.

In order to satisfy the changing preference of customers, now-a-days fruit juice is sold in small cartons (Mango Fruity) instead of bottles so that customers can carry it and throw away the container after drinking the juice. Let us take another example, Lipton offers its tea in small packs known as PUDIYAS to meet the requirements of its rural customers.\(^1\) You may have heard of Henry Ford, the founder of the Ford Motor Company in the United States. Remember, Henry Ford himself did not invent the automobile. Foreseeing the people’s desire to have passenger cars at somewhat lower rates, he applied new methods of mass production to offer passenger cars to the customers at affordable price. Since customers’ taste and preferences always keep on changing, hence the entrepreneur needs to apply invention after invention on a continuous basis to meet the customers’ changing demands for products.

**Risk-bearing:** Starting a new enterprise always involves risk and trying for doing something new and different is also risky. The reason is not difficult to seek. The enterprise may earn profits or incur losses because of various factors like increasing competition, changes in customer preferences,

and shortage of raw material and so on. An entrepreneur, therefore, needs to be bold enough to assume the risk involved in the enterprise. In fact, he needs to be a risk-taker, not risk avoider. His risk-bearing ability enables him even if he fails in one time or one venture to persist on and on which ultimately helps him succeed. The Japanese proverb applies to him:

“Fall seven times, stand up eight”

Though the term entrepreneur is often used interchangeably with entrepreneurship, yet they are conceptually different. The relationship between the two is just like the two sides of the same coin as depicted in the following table.

### TABLE 2

**RELATIONSHIP BETWEEN ENTREPRENEUR AND ENTREPRENEURSHIP**

<table>
<thead>
<tr>
<th>Entrepreneur</th>
<th>Entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Person</td>
<td>Process</td>
</tr>
<tr>
<td>Organiser</td>
<td>Organisation</td>
</tr>
<tr>
<td>Innovator</td>
<td>Innovation</td>
</tr>
<tr>
<td>Risk-bearer</td>
<td>Risk-bearing</td>
</tr>
<tr>
<td>Motivator</td>
<td>Motivation</td>
</tr>
<tr>
<td>Creator</td>
<td>Creation</td>
</tr>
<tr>
<td>Visualiser</td>
<td>Vision</td>
</tr>
<tr>
<td>Leader</td>
<td>Leadership</td>
</tr>
<tr>
<td>Imitator</td>
<td>Imitation</td>
</tr>
</tbody>
</table>
Thus, entrepreneurship is concerned with the performance and coordination of the entrepreneurial functions. This also means that entrepreneur precedes entrepreneurship.

GROWTH OF ENTREPRENEURSHIP IN INDIA

That a proper understanding of the growth of entrepreneurship of any country would evolve within the context of the economic history of the particular country becomes the subject matter of this section. The growth of entrepreneurship in India is, therefore, presented into two sections, viz., Entrepreneurship during Pre-Independence and Post-Independence.

Entrepreneurship during Pre-Independence  The evolution of the Indian entrepreneurship can be traced back to even as early as Rigveda, when metal handicrafts existed in the society.¹ This would bring the point home that handicrafts entrepreneurship in India was as old as the human civilisation itself, and was nurtured by the craftsmen as a part of their duty towards the society. Before India came into contact with the West, people were organised in a particular type of economic and social system of the village community. Then, the village community featured the economic scene in India. The Indian towns were mostly religious and aloof from the general life of the country. The elaborated caste-based diversion of workers

¹ R.V.Rao, Indian Handicrafts, Bookhomes Private Limited, Hyderabad, 1969, p.10
consisted of farmers, artisans and religious priests (the Brahmins). The majority of the artisans were treated as village servants. Such compact system of village community effectively protecting village artisans from the onslaughts of external competition was one of the important contributing factors to the absence of localisation of industry in ancient India.\footnote{M.U.Deshpande, Entrepreneurship of Small Scale Industries, Deep & Deep Publications, New Delhi, 1984, p.63}

Evidently organised industrial activity was observable among the Indian artisans in a few recognizable products in the cities of Banaras, Allahabad, Gaya, Puri and Mirzapur which were established on their river basins. Very possibly, this was because the rivers served as a means of transportation facilities. These artisan industries flourished over the period because the Royal Patronage was to them to support them. The workshops called Kharkhanas came into existence. The craftsmen were brought into an association pronounced as guild system. On the whole, perfection in art, durability beyond doubt and appeal to the eye of the individual much ever lasting laurels of name and fame to the Indian craftsmanship that brought much ever lasting laurels of name and fame to the illustrious India in the past. To quote, Bengal enjoyed world-wide celebrity for corah, Lucknow for Chintzes, Ahmedabad for dupptas and dhotis, Nagpur for silk-bordered cloths, Kashmir for shawls and Banaras for metal wares. Thus, from the
immemorial till the earlier years of the eighteenth century, India enjoyed the prestigious status of the queen of the international trade with the help of its handicrafts.

Unfortunately, so much prestigious Indian handicraft industry, which was basically a cottage and small sector, declined at the end of the eighteenth century for various reasons.¹ These may be listed as:

1. Disappearance of the Indian Royal Courts, who patronised the crafts earlier;

2. The lukewarm attitude of the British Colonial Government towards the Indian crafts;

3. Imposition of heavy duties on the imports of the Indian goods in England;

4. Low-priced British-made goods produced on large scale which reduced the competing capacity of the products of the Indian handicrafts.

5. Development of transport in India facilitating the easy access of British products even to fat-flung remote parts of the country;

6. Changes in the tastes and habits of the Indian, developing craziness of foreign products, and

7. Unwillingness of the Indian craftsmen to adapt to the changing tastes and needs of the people.

Some scholars hold the view that manufacturing entrepreneurship in India emerged as the latent and manifest consequence of East India Company's advent in India. The company injected various changes in the Indian economy through export of raw materials and import of finished goods in India. Particularly, the Parsis established good rapport with the company and were much influenced by the company's commercial operations. The company established its first ship-building industry in Surat where from 1673 onwards the Parsis built vessels for the company. The most important was shipwright Lowjee-Nushirvan, who migrated to Bombay around 1935. He belonged to a Wadia family which gave birth to many leading ship-builders of Bombay.¹ In 1677, Manjee Dhanjee was given a contract for building the first large gun-powder-mill in Bombay for the East India Company. Besides, a Parsi foreman of a gun factory belonging to the company established a steel industry in Bombay in 1852. On the basis of these facts, it can be stated that the East India Company made some contribution towards entrepreneurial growth in India. But, whether the company did it deliberately for the growth of entrepreneurship in India or it

was just a coincidence that people came in contact with the Company and entered the manufacturing, nothing can be said with certitude.

The actual emergence of manufacturing entrepreneurship can be noticed in the second half of the nineteenth century. Prior to 1850, some stray failure attempts were indeed, made by the Europeans to set up factories in India. In the beginning, the Parsis were the founder manufacturing entrepreneurs in India.

Ranchodlal Chotalal, a Nagar Brahman, was the first Indian to think of setting up the textile manufacturing on the modern factory lines in 1847, but failed. In his second attempt, he succeeded in setting up a textile mill in 1861 at Ahmedabad.¹ But before this, the first cotton textile manufacturing unit was already set up by a Parsi, Cowasjee Nanabhoy Davar in Bombay in 1854 followed by Nawrosjee Wadia, who opened his textile mill in Bombay in 1880. The credit for the expansion of textile industries upto 1915 goes to the Parsis. Out of 96 textile mills existing in 1915, 43 per cent (41) were set up by Parsis, 24 per cent (23) by Hindus, 10 per cent (10) by Muslims and 23 per cent (22) by British citizens.² Later, the Parsis invaded other fields, mainly iron and steel industry, also Jamshedjee Tata was the first Parsi entrepreneur who established the first steel industry in Jamshedpur in 1911.

² Howard Spodek, Ibid, 1965, p.253
In the first wave of manufacturing entrepreneurship, except Parsis, all others hailed from non-commercial communities. Why the well-known commercial communities, namely, Jains and Vaishyas of Ahmedabad and Baroda, lagged behind in entrepreneurial initiative throughout the nineteenth century can be explained by two factors. Firstly, the improvement of business climate in the countryside during this period resulted in an increase in the quantum of trade which assured quick returns on investment. This proved the commercial activity more lucrative during the period. Secondly, it can also be attributed to their conservative attitude to change from commercial entrepreneurship to industrial entrepreneurship.¹

The Swadeshi campaign i.e, emphasis on indigenous goods, provided, indeed a proper seedbed for inculcating and developing nationalism in the country. It was the influence of Swadeshi that Jamshedji Tata even named his first mill Swadeshi Mill. The spirit of indigenousness strengthened its roots so much in the country that the Krishna Mills in its advertisement of Tribune of April 13 made the following appeal: “Our concern is financed by native capital and is under native management throughout.”²

¹ Dwijendra Tripathi, Indian Entrepreneurship in Historical Perspective: A Reinterpretation, Economic and Political Weekly, 6(22) May 29, 1971, p.84
² Arun Joshi, Lala Shri Ram: A Study in Entrepreneurship and Industrial Management: Orient Longman, New Delhi, 1975, p.102
The second wave of entrepreneurial growth in India began after the First World War. For various reasons, the Indian Government agreed to discriminating protection to certain industries, even requiring that companies receiving its benefits should be registered in India with rupee capital and have a proportion of their directors as Indians. The advantages of these measures were mostly enjoyed by the Indians. The Europeans failed to harness the protectionist policies to their interests.¹ These measures helped in establishing and extending the factory manufacturing in India during the first four decades of the 20th century. During these decades, the relative importance of Parsis declined and Gujaratis and Marwari Vaishyas gained that pendulum in India’s entrepreneurial scene.

The emergence of Managing Agency System which made its own contribution to the Indian entrepreneurship can be traced back to 1936 when Carr, Tagore & Co. assumed the management of Calcutta Steam Tug Association. The credit for this initiation goes to an Indian, Dwarkanath Tagore, who encouraged others to form joint-stock companies and invented a distinct method of management in which management remained in the hands of the firm rather than of an individual. Historical evidences also do confirm that after the East India Company lost monopoly in 1813, the

European Managing Agency Houses entered business, trade and banking. And, these houses markedly influenced eastern India’s industrial scene. It is stated that the Managing Agency Houses were the real entrepreneur for that period particularly in Eastern India. Brimmer\(^1\) holds the opinion that agency houses emerged to overcome the limitations imposed by a shortage of venture capital and entrepreneurial acumen though all may not agree squarely with this view.

Before we skip our review of entrepreneurial growth to the post-Independence era, it will be in the fitness of the things to shed some light on effects of partition on India’s industrial economy so as to depict Independent India’s industrial background. Following are some major effects of partition on 15\(^{th}\) August 1947 on the Indian industrial economy.

Partition of Undivided India

<table>
<thead>
<tr>
<th>Demographic, Effects</th>
<th>India</th>
<th>Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Activity</td>
<td>77% of area, 82% of population 90% of total industrial establishments with 93% of industrial workers Jute, Iron and Steel and paper industries</td>
<td>23% of area, 18% of population, 10% of total industrial establishments with 7% of industrial workers Cotton textile, sugar, cement, glass and chemical industries</td>
</tr>
<tr>
<td>Mineral and Natural Resources</td>
<td>97% of total value of minerals. Major deposits of Coal, Mica, Manganese, Iron ore, etc.</td>
<td>3% of total value of minerals with major deposits of Gypsum, Rock salt etc.</td>
</tr>
<tr>
<td>Manpower and Managerial skills</td>
<td>India was at loss</td>
<td>Muslims possessed these skills who migrated to Pakistan</td>
</tr>
<tr>
<td>Transport facilities</td>
<td>83% of total route mileage India lost major ports which adversely affected India’s exports</td>
<td>7% of total road mileage went to Pakistan</td>
</tr>
</tbody>
</table>

Source: C.N. Vakil, Economic Consequences of Divided India, Vora & Co. Company, Bombay, 1950

Entrepreneurship during Post-Independence

After taking a long sigh of political relief in 1947, the Government of India tried to spell out the priorities to devise a scheme for achieving balanced growth. For this purpose, the Government came forward with the first Industrial Policy, 1948 which was revised from time to time.¹ The

Government in her various industrial policy statements identified the responsibility of the State to promote, assist and develop industries in the national interest. It also explicitly recognised the vital role of the private sector in accelerating industrial development and, for this; enough field was reserved for the private sector. The Government took three important measures in her industrial resolutions:

(i) to maintain a proper distribution of economic power between private and public sector;

(ii) to encourage the tempo of industrialisation by spreading entrepreneurship from the existing centres to other cities, towns and villages and

(iii) to disseminate the entrepreneurship acumen concentrated in a few dominant communities to a large number of industrially potential people of varied social strata.¹

To achieve these adumbrated objectives, the Government accorded emphasis on the development of small scale industries in the country. Particularly since the Third Five Year Plan, the Government started to provide various incentives and concessions in the form of capital, technical know-how, markets and land to the potential entrepreneurs to establish

industries in the industrially potential areas to remove the regional imbalances in development. This was, indeed, a major step taken by the Government to initiate interested people of varied social strata to enter the small scale manufacturing field. Several institutions like Directorate of Industries, Financial Corporations, Small Scale Industries Corporations and Small Industries Service Institute were also established by the Government to facilitate the new entrepreneurs in setting up their enterprises. Expectedly, the small scale units emerged very rapidly in India witnessing a tremendous increase in their number from 121619 in 1966 to 190727 in 1970 registering an increase of 17000 units per year during the period under reference.

The recapitulation of review of literature regarding entrepreneurial growth in India thus, leads us to conclude that prior to 1850, the manufacturing entrepreneurship was negligible lying dormant in artisans. The artisans’ entrepreneurship could not develop mainly due to inadequate infrastructure and lukewarm attitude of the colonial political structure of the entrepreneurial function. The East India Company, the Managing Agency Houses and various socio-political movements like Swadeshi campaign provided, one way or the other, proper seedbed for the emergence of the manufacturing entrepreneurship from 1850 onwards.
The wave of entrepreneurial growth gained sufficient momentum after the Second World War. Since then the entrepreneurs have increased rapidly in numbers in the country. Particularly, since the Third Five Year Plan, small entrepreneurs have experienced tremendous increase in their numbers. But, they lacked entrepreneurial ability, however. The fact remains that even the small entrepreneurship continued to be dominated by business communities though at some places new groups of entrepreneurs too emerged. Also, there are examples that some entrepreneurs grew from small to medium scale and from medium to large scale manufacturing units during the period. The family entrepreneurship units like Tata, Birla, Mafatlal, Dalmia, Kirloskar and others grew beyond the normally expected size and also established new frontiers in business in this period. Notwithstanding, all this happened without the diversification of the entrepreneurial base so far as its socio-economic ramification is concerned.

**ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT**

The world development is used in so many ways that its precise connotation is often baffling. Nevertheless, economic development essentially means a process of upward change whereby the real per capita income of a country increases over a long period of time. Then, a simple but meaningful question arises; what causes economic development? This
question has absorbed the attention of scholars of socio-economic change for decades. In this section, we attempt to shed light on an important aspect of that larger question, the phenomenon of entrepreneurship. The one major issue we address here is: what is the significance of entrepreneurship for economic development? Does it add an important independent influence to that of other factors widely agreed to promote economic development?

Adam Smith,¹ the foremost classical economist, assigned no significance to entrepreneurial role in economic development in his monumental work “An enquiry into the Nature and Causes of the Wealth of Nations”, published in 1776. Smith extolled the rate of capital formation as an important determinant of economic development. The problem of economic development was ergo largely the ability of the people to save more and invest more in any country. According to him, ability to save is governed by improvement in productivity to the increase in the dexterity of every worker due to division of labour. Smith regarded every person as the best judge of his own interest who should be left to pursue it to his own advantage. According to him, each individual is led by an invisible hand in pursuing his/her interest. He always advocated the policy of laissez-faire in economic affairs.

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

Thus, in both the classical theories of economic development, there is no room for entrepreneurship. And, economic development seems to be automatic and self-regulated. Thus, the attitude of classical economists was very cold towards the role of entrepreneurship in economic development. They took the attitude: “the firm is shadowy entity, and entrepreneur even shadower-or at least is shady when he is not shadowy.”

The economic history of the presently developed countries, for example, America, Russia and Japan tends to support the fact that the economy is an effect for which entrepreneurship is the cause. The crucial role played by the entrepreneurs in the development of the Western countries has made the people of under-developed countries too much conscious of the significance of entrepreneurship for economic development. Now, people have begun to realise that for achieving the goal of economic development,

it is necessary to increase entrepreneurship both qualitatively and quantitatively in the country. It is only active and enthusiastic entrepreneurs who fully explore the potentialities of the country's available resources—labour, technology and capital. Schumpeter\(^1\) visualised the entrepreneurs as the key figure in economic development because of his role in introducing innovations. Parson and Smelser\(^2\) described entrepreneurship as one of the two necessary conditions for economic development, the other being the increased output of capital. Harbison\(^3\) includes entrepreneurs among the prime moves of innovations, and Sayigh\(^4\) simply describes entrepreneurship as a necessary dynamic force. It is also opined that development does not occur spontaneously as a natural consequence when economic conditions are in some sense right: a catalyst or agent is needed, and this requires an entrepreneurial ability. It is this ability that he perceives opportunities which either others do not see or care about. Essentially, the entrepreneur searches for change, sees need and then brings together the manpower, material and capital required to respond the opportunity what he sees. Akio Morita, the President of Sony who adopted the company's products to create Walkman

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Personal-Stereo and India's Gulshan Kumar of T-Series who skimmed the audio-cassette starved vast Indian market are the clearest examples of such able entrepreneurs.

The role of entrepreneurship in economic development varies from economy to economy depending upon its material resources, industrial climate and the responsiveness of the political system to the entrepreneurial function. The entrepreneurs contribute more in favourable opportunity conditions than in the economies with relatively less favourable opportunity conditions.

Viewed from opportunity point of view, the underdeveloped regions, due to the paucity of funds, lack of skilled labour and non-existence of minimum social and economic overheads, are less conducive to the emergence particularly of innovative entrepreneurs. In such regions, entrepreneurship does not emerge out of industrial background with well developed institutions to support and encourage it. Therefore, entrepreneurs in such regions may not be an innovator but an imitator who would copy the innovations introduced by the innovative entrepreneurs of the developed regions.¹ In these areas, according to McClland's² concept of personality aspect of entrepreneurship, some people with high achievement motivation

come forward to behave in an entrepreneurial way to change the stationary inertia, as they would not be satisfied with the present status that they have in the society.

Under the conditions of paucity of funds, and the problem of imperfect market in underdeveloped regions, the entrepreneurs are bound to launch their enterprises on a small scale. As imitation requires lesser funds than innovation, it is realised that such regions should have more imitative entrepreneurs. And, it is also felt that imitation of innovations introduced in developed regions on a massive scale can bring about rapid economic development in under-developed regions also. But, it does not mean that such imitation requires in any way lesser ability on the part of entrepreneurs. In this regard, Berna\(^1\) opines: "it involves often what has aptly been called subjective innovation, that is, the ability to do things which have not been done before by the particular industrialists, even though unknown to him, the problem may have been solved in the same way by the others." These imitative entrepreneurs constitute the main spring of development of underdeveloped regions.

Further, India which itself is an under-developed country aims at decentralised industrial structure to militate the regional imbalances in levels

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\(^1\) James J. Berna, Industrial Entrepreneurship in Madras State, Asia Publishing House, Bombay, 1960, p.6.
of economic development, small scale entrepreneurship in such industrial structure plays an important role to achieve balanced regional development.¹ It is unequivocally believed that small scale industries provide immediate large scale employment, ensure a more equitable distribution of national income and also facilitate an effective resource mobilisation of capital and skill which might otherwise remain unutilised. Lastly, the establishment of Entrepreneurship Development Institutes and alike by the Indian Government during the last decades is a good testimony to her strong realisation about the premium mobile role of entrepreneurship played in economic development. The important role that entrepreneurship plays in the economic development of an economy can now be put in a more systematic and orderly manner as follows.

1. Entrepreneurship promotes capital formation by mobilising the idle saving of the public.

2. It provides immediate large-scale employment. Thus, it helps reduce the unemployment problem in the country, i.e. the root of all socio-economic problems.

3. It promotes balanced regional development.

4. It helps reduce the concentration of economic power.

¹ S.S. Khanka, Industrial Development of Backward Areas, Himalaya Publishing House, New Delhi, 1994, pp. 86-100
5. It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country.

6. It encourages effective resource mobilisation of capital and skill which might otherwise remain unutilised and idle.

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

8. Last but no means the least, it also promotes country’s export trade, i.e. an important ingredient to economic development.

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

**CONCEPT OF WOMEN ENTREPRENEURS**

Based on the general concept of entrepreneur just discussed in the previous section, women entrepreneurs may be defined as a woman or group of women who initiate organise and run a business enterprise. In terms of Schumpeterian concept of innovative entrepreneurs, women who innovate, imitate or adopt a business activity are called “women entrepreneurs.” The Government of India has defined women entrepreneurs based on women participation in equity and employment of a business enterprise.
Accordingly a women entrepreneur is defined as “an enterprise owned and controlled by a women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women.” However, this definition is subject to criticism mainly on the condition of employing more than 50 per cent women workers in the enterprise owned and run by the women.

In nutshell, women entrepreneurs are those women who think of a business enterprise, initiate it, organise and combine the factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running a business enterprise.

FUNCTIONS OF WOMEN ENTREPRENEURS

As an entrepreneur, a women entrepreneur has also to perform all the functions involved in establishing an enterprise. These include idea generation and screening, determination of objectives, project preparation, product analysis, determination of forms of business organisation, completion of promotional formalities, raising funds, procuring men, machine and materials and operation of business.
Frederick Harbison\(^1\) has enumerated the following five functions of a women entrepreneur:

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

The fact remains that, like the definition of the term entrepreneur, different scholars have identified different sets of functions performed by an entrepreneur whether man or woman. All these entrepreneurial functions can be classified broadly into three categories.

1. Risk-bearing
2. Organisation
3. Innovations

**GROWTH OF WOMEN ENTREPRENEURSHIP**

Woman in India constitute around half of the country’s population. Hence they are regarded as the better half of the society. In the official proclamation, they are at par with men. But, in real life, the truth prevails

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\(^1\) Frederick Harbison, *Entrepreneurial Organisation as a Factor in Economic Development*, Quarterly Journal of Economic, August, 1956, p.84
otherwise. Our society is still male-dominated and women are not treated as equal partners both inside and outside four walls of the house. In fact, they are treated as abla, i.e. weak and dependent on men. As such, the Indian women enjoy a disadvantageous status in the society. Let some facts be given. The much low literacy rate (40%) low work participation rate (28%), and low urban population share (10%) of women as compared to 60%, 52% and 18% respectively of their male counterparts well confirm their disadvantageous position in the society. Our age-old socio-cultural traditions and taboos arresting the women within four walls of their houses also make their conditions more disadvantageous. These factors combined serve as non-conducive conditions for the emergence and development of women entrepreneurship in the country. Given these unfavourable conditions, the development of women entrepreneurship is expectedly low in the country. This is well indicated by a dismally low level of women (5.2%) in total self-employed persons in the country.¹ Further, women entrepreneurs in India accounted for 9.01% of the total 1.70 million entrepreneurs during 1988-89.²

A cross-country comparison reveals that emergence and development of entrepreneurship is largely caused by the availability of supporting

¹ C.B.Gupta and S.S.Khanka, Entrepreneurship and Small Business Management, Sultan Chand & Sons, Delhi, 1996, p.110
conditions in a country. To quote with improving supporting conditions, the share of women owned enterprises in the United States has risen from 7.1% in 1977 to 32% in 1990. It is likely to reach to 50% by the turn of the present century.

In India, women entry into business is a new phenomenon. Women entry into business, or say, entrepreneurship is traced out as an extension of their kitchen activities mainly to 3Ps, viz., Pickles, Powder and Pappad. Women in India plunged into business for both pull and push factors. Pull factors imply the factors which encourage women to start an occupation or venture with an urge to do something independently. Push factors refer to those factors which compel women to take up their own business to tide over their economic difficulties and responsibilities. With growing awareness about business and spread of education among women over the period, women have started shifting from 3 Ps to engross to 3 modern Es, viz, Engineering, Electronics and Energy. They have excelled in these activities. Women entrepreneurs manufacturing solar cookers in Gujarat, small foundaries in Maharashtra and T.V. capacitors in Orissa have proved beyond doubt that given the opportunities, they can excel their male counterparts. Smt.Sumati Morarji (Shipping Corporation), Smt. Yamutai Kirloskar (Mahila Udyog Limited), Smt.Neena Malhotra (Exports) and Smt.Shahnaz
Hussain (Beauty Clinic) are some exemplary names of successful and accomplished women entrepreneurs in our country.

In India, Kerala is a state with highest literacy (including women literacy) reflecting a congenial atmosphere for the emergence and development of women entrepreneurship in the State. According to a study,¹ the number of women's industrial units in Kerala was 358 in 1981 which rose to 782 in March 1984. These 782 units included 592 proprietary concerns, 43 partnership firms, 42 charitable institutions, 3 joint stock companies and 102 cooperative societies covering a wide range of activities. On the whole, proper education of women in Kerala resulted in high motivation among them to enter into business. The financial, marketing and training assistance provided by the State Government also helped motivate women to assume entrepreneurial career. Women's desire to work at the place of residence, difficulty to getting jobs in the public and private sectors and the desire for social recognition also motivated women in Kerala for self-employment. Like Kerala, an increasing number of women are entering the business in the State of Maharashtra also.

¹ Government of Kerala, Women's Industries Department, Trivandrum, p.73
PROBLEMS OF WOMEN ENTREPRENEURS

Women entrepreneurs encounter two sets of problems, viz., general problems of entrepreneurs and problems specific to women entrepreneurs. These are discussed as follows:

1. Problem of Finance: Finance is regarded as life-blood for any enterprise, be it big or small. However, women entrepreneurs suffer from shortage of finance on two counts. Firstly, women do not generally have property on their names to use them as collateral for obtaining funds from external sources. Thus, their access to the external sources of funds is limited. Secondly, the banks also consider women less credit-worthy and discourage women borrowers on the belief that they can at any time leave their business. Given such situation, women entrepreneurs are bound to rely on their own savings, if any and loans from friends and relatives who are expectedly meagre and negligible. Thus, women enterprises fail due to the shortage of finance.

2. Scarcity of Raw Material: Most of the women enterprisers are plagued by the scarcity of raw material and necessary inputs. Added to this are the high prices of raw material, on the one hand, and getting raw material at the minimum of discount, on the other. The failure of many women cooperatives in 1971 engaged in basket making is an example how the
scarcity of raw material sounds the death-knell of enterprises run by women.¹

3. **Stiff Competition:** Women entrepreneurs do not have organisational set-up to pump in a lot of money for canvassing and advertisement. Thus, they have to face a stiff competition for marketing their products with both organised sector and their male counterparts. Such a competition ultimately results in the liquidation of women enterprises.

4. **Limited Mobility:** Unlike men, women mobility in India is highly limited due to various reasons. A single woman asking for room is still looked upon suspicion. Cumbersome exercise involved in starting an enterprise coupled with the officials humiliating attitude towards women compels them to give up idea of starting an enterprise.

5. **Family Ties:** In India, it is mainly a woman’s duty to look after the children and other members of the family. Man plays a secondary role only. In case of married women, she has to strike a fine balance between her business and family. Her total involvement in family leaves little or no energy and time to devote for business. Support and approval of husbands seem necessary condition for women’s entry into business. Accordingly, the

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¹ C.B.Gupta, and N.P.Srinivasan, Entrepreneurial Development, Sultan Chand & Sons, Delhi, 1992, p.132
educational level and family background of husbands positively influence women’s entry into business activities.

6. Lack of Education: In India, around three-fifths (60%) of women are still illiterate. Illiteracy is the root cause of socio-economic problems. Due to the lack of education and that too qualitative education, women are not aware of business, technology and market knowledge. Also, lack of education causes low achievement motivation among women. Thus, lack of education creates problems for women in the setting up and running of business enterprises.

7. Male-Dominated Society: Male chauvinism is still the order of the day in India. The Constitution of India speaks of equality between sexes. But, in practice, women are looked upon as alba, i.e. weak in all respects. Women suffer from male reservations about a woman’s role, ability and capacity and are treated accordingly. In nutshell, in the male-dominated Indian society, women are not treated equal to men. This, in turn, serves as a barrier to women entry into business.

8. Low Risk-Bearing Ability: Women in India lead a protected life. They are less educated and economically not self-dependent. All these reduce their ability to bear risk involved in running an enterprise. Risk-bearing is an essential requisite of a successful entrepreneur.
In addition to above problems, inadequate infrastructural facilities, shortage of power, high cost of production, social attitude, low need for achievement and socio-economic constraints also hold the women back from entering into business.

**DEVELOPMENT OF WOMEN ENTREPRENEURS – RECENT TRENDS**

Days are gone when women in India remained confined to within four walls of their homes and their immense strength and potential remained unrecognised and unaccounted for. Now, they are increasingly participating in all spheres of activities. The fact remains that the citadels of excellence in academic, politics, administration, business and industry are no longer the prerogatives of men in India. The general consensus that is emerging in all discussions relating to the development of women is that promotion of women entrepreneurs should form an integral part of all development efforts. The experience of the United States where the share of women-owned enterprises is continuously on increase strengthens the view that the future of small-scale industries depends very much on the entry of women into industry. Several national and international organisations and agencies have appreciated the need for and importance of developing women entrepreneurs in recent years.
With a view to develop better half of the society, the United Nations declared the decade 1975-85 as the Decade for women. The UNIDO Preparatory Meeting on the Role of Women in Industrialisation in Developing Countries held at Vienna during 6-10 February, 1978 identified several constraints such as social, attitudinal and institutional barriers, inadequate employment opportunities, inappropriate and inadequate training, and insufficient information and so on which held women back from participating in industrial activities. The World Conference of the United Nations Decade for Women held at Copenhagen in Denmark on 30\textsuperscript{th} June 1980 also adopted a programme aimed at promoting full and equal opportunities and treatment of women in employment and their access to non-traditional skilled trades.\textsuperscript{1}

The First National Conference of Women Entrepreneurs held at New Delhi in November 1981 advocated the need for developing women entrepreneurs for the overall development of the country. It called for priority to women in allotment of land, sheds, sanction of power, licensing etc. The Second International Conference of Women entrepreneurs organised by the National Alliance of Young Entrepreneurs (NAYE) held in

\textsuperscript{1} Lallan Prasad, Industrialisation – Concept and Issues, S.Chand & Co., New Delhi, 1983, p.147
1989 at New Delhi also adopted certain declarations involving women's participation in industry.

The Government of India has been assigning increasing importance to the development of women entrepreneurs in the country in recent years. The sixth five year plan, for example, proposed for promoting female employment in women-owned industries. The Government moved a step forward in the Seventh Five Year Plan by including a special chapter on Integration of Women in Development. The chapter suggested:

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

In her recent Industrial Policy 1991, the Government of India further stressed the need for conducting special entrepreneurship development programmes for women with a view to encourage women to enter industry.
Product and process-oriented courses enabling women to start small scale industries are also recommended in the policy statement.

There are several institutional arrangements both at the centre and the state levels like nationalised banks, state financial corporations, state industrial corporations, district industry centres and voluntary agencies like FICCI's Ladies Organisation (FLO), National Alliance of Young Entrepreneurs (NAYE) which have been engaged in protecting and developing women entrepreneurs in the country. Added to these are national and international women associations set up with a purpose to create a congenial environment for developing women entrepreneurship in rural and urban areas.

**RURAL ENTREPRENEURSHIP**

As women forming about half of the India's population make a case for developing women entrepreneurship in the country, so is justified developing rural entrepreneurship by about three-fourth of the India's population living in its vast rural areas. The rural-urban dichotomy reveals wide disparities in various respects. The division of economic activities between rural and urban areas is one of them. Rural areas specialise more or less exclusively in agriculture, while industries are exclusively located in urban areas. Given the weak rural-urban or agriculture-industry linkages,
such a situation suffers from two serious shortcomings. First, as agriculture by itself has a tendency to develop a slower pace than industry, the division of economic activities leads to uneven development. Secondly since industry generally leads to higher level of output per worker than agriculture, the gap in income levels between those engaged in the two sectors tends to widen.\(^1\) Further, the relationship between traditional agriculture and modern industry generally has a dependency structure which puts the rural sector at a greater disadvantage in appropriating the gains of development and, in turn, increases the disparities between rural and urban income levels.\(^2\) As such, rural areas are ultimately marked by abject poverty and backwardness. In such situation, rural industrialisation is viewed as an effective means of accelerating the process of rural development. Entrepreneurship precedes industrialisation. Hence, the need for rural entrepreneurship.

This section, therefore, devoted to deal with various aspects of rural entrepreneurship, such as, its meaning, need, present position, strategies for the future development of rural entrepreneurship in the country and role of NGOs in developing rural entrepreneurship.

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\(^1\) T.S. Papola, *Rural Industrialisation (Approaches and Potential)*, Himalaya Publishing House, New Delhi, 1982, p.1

MEANING OF RURAL ENTREPRENEURSHIP

Like entrepreneurship, rural entrepreneurship also conjures different meanings in different people. Without going into semantics, rural entrepreneurship can simply be defined as entrepreneurship emerging in rural areas is rural entrepreneurship. In other words, establishing industrial units in the rural areas refers to rural entrepreneurship. Or say, rural entrepreneurship implies rural industrialisation.

Rural industries are generally associated with agriculture. Accordingly to the Khadi and Village Industries Commission (KVIC), “village industry or rural industry means any industry located in rural area, population of which does not exceed 10000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees.”

The definition of village industry has been recently modified by the Government so as to enlarge its scope. Accordingly any industry located in rural areas, village or town with a population of 20000 and below and an investment of Rs.3 crores in plant and machinery is classified as a village

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1 Quoted by M.Soundarapandian, Development of Rural Industries: Issues and Strategies, Kurukshetra, November 1999, p.3.
industry.\textsuperscript{1} As a result of widening of the scope of village industries, 41 new village industries have been added making a total of 101 as against 70 industries earlier.

All the village industries have been grouped into seven major categories as follows:

(i) Mineral – based industry
(ii) Forest – based industry
(iii) Agro – based industry
(iv) Polymer and chemical – based industry
(v) Engineering and non-conventional industry;
(vi) Textile industry (including khadi) and
(vii) Service industry

NEED FOR RURAL ENTREPRENEURSHIP

The need for rural entrepreneurship for developing industries in the rural areas is imbued with multiplicity of justifications\textsuperscript{2} as listed below:

1. Rural industries being labour intensive have high potential in employment generation. Thus, they serve as an antidote to the widespread problems of disguised unemployment or under-employment stalking the rural territory.

\textsuperscript{1} Ibid., pp.3-4
2. By providing employment, these industries have also high potential for income generation in the rural areas. These, thus, help in reducing disparities in income between rural and urban areas.

3. These industries encourage dispersal of economic activities in the rural areas and, thus, promote balanced regional development.

4. Development of industries in the rural areas also helps build up village republics.

5. Rural industries also help protect and promote the art and creativity, i.e. the age-old rich heritage of the country.

6. Rural industrialisation fosters economic development in rural areas. This curbs rural-urban migration, on the one hand, and also lessens the disproportionate growth in the cities, reduces growth of slums, social tensions, and atmospheric pollution, on the other.

7. Last but no means the least, rural industries being environment friendly lead to development without destruction, i.e. the most desideratum of the time.

**RURAL INDUSTRIALISATION IN RETROSPECT**

Prior to Independence, small industry occupied almost insignificant place in the national economy. Then, the commonly used term was cottage industry/handicrafts, which were located in rural areas. The Government
sincerely took interest in the development of rural/village industries since Independence.

The importance role which rural industries can play in ameliorating the socio-economic conditions of the rural areas received emphasis in most of the major policy pronouncements on development in India.\footnote{Bepin Behari, Rural Industrialisation in India, Vikas Publishing House Pvt. Ltd., New Delhi, 1976, p.73} The Industrial Policy Resolution of 1948 emphasised the utilisation of local resources and the achievement of local self sufficiency in respect of certain essential consumer goods as the most suitable characteristics of cottage and small industries. This approach was followed in the First Five Year Plan. But the development of rural industries was conceived largely in isolation of the rest of the economy.\footnote{H.H.Haan, Rural Industrialisation in India, Discussion Paper No.53, Erasmus University Centre for Development Planning, Rotterdam, June 1980, p.23.} The first Five Year plan stressed the development of agriculture, industry, infrastructure and social services, but all this in a manner that maximum feasible additional employment opportunities were created to raise the standard of living of the people.

The Industrial Policy Resolution of 1956 while emphasising the creation of employment, equitable distribution of incomes and an effective mobilisation of capital and skill pointed out that the characteristics of cottage, village and small scale industries are favourable to the achievement of these objectives. Accordingly, the Second Five Year Plan looked upon
rural industries as an integral component of the national economy to some extent, forming the basis of a pyramidal industrial structure.\textsuperscript{1} With the formulation of 26 pilot industrial projects, which were intended to be an exercise in area development, a spatial dimension was added to the programme of rural and small industry. This approach was followed up in the Third Five Year Plan (1961-62 – 1965-66).

Rural Industries Project in 49 selected areas was taken up during the Third Plan. This plan envisaged the development of village and small industries sector to provide employment and to increase the consumer goods and some producer goods. The programme aimed at promoting village and small scale industries, including ancillary units of large scale units in order to achieve a balanced regional development. This process of rural industrialisation was continued during the Annual Plans (1966-69) and the Fourth Five Year Plan (1969-70 – 1973-74), when a Backward Area Development Programme was adopted, which included industrial development as well. For this, agro industries and dispersal of these industries in backward areas were accepted as instruments.

The Fifth Five Year Plan emphasised the need to ensure industrial development in underdeveloped areas. The Industrial Policy Statement of

\textsuperscript{1} Ibid., p.24
1980 promised to generate economic viability in the villages dependent on a strategy based on an industry cum area development approach. This was aimed at injecting integration of the programme. The District Industries Centres (DICs) were set up during this period to provide the required services under one roof. Rural industrialisation continued to receive the main focus of development efforts in the rural areas during the subsequent Sixth Five Year Plan also. In order to strengthen the process of rural industrialisation, the Sixth Plan redefined Small Scale Industry (SSI) so as to include those manufacturing and repairing units as having investment in plant and machinery upto Rs.20 lakhs and in the case of the ancillary units Rs.25 lakhs.

The Seventh and Eighth Plans accorded importance to the role of institution in marketing, credit, technology etc., in the promotion of rural industrialisation in the country. With a view to step up rural industrialisation, a number of projects covering a variety of rural industries, viz., food processing, pottery, leather items, readymade garments, etc. have been taken up by the Khadi and Village Industries Commission (KVIC).
The Ninth Five Year Plan includes the following development strategies for the Village and Small Scale Industries (VSI) sector.¹

(i) The Small Scale and Village Industries will be provided incentives and support to facilitate their growth and employment. It will be ensured that foreign investment does not displace such industries.

(ii) Credit facilities to small scale industries will be increased. For this, the financial institutions will be motivated to offer factoring services to the SSIs in addition to the present system of discounting bills.

(iii) The investment limit for the SSI sector will be revised to Rs.3 crore to take account of inflation and also to enable this sector the achievement of minimum economics of scale and upgradation of technology so as to withstand emerging competition.

(iv) Technology development and upgradation in the VSI sector, especially in the case of small scale industries, handlooms, power looms, coir-handicraft, wool, etc. will receive special attention.

(v) Special attention will be paid to sericulture to improve the quality of raw silk by introducing better silk worm breeding practices.

One way to look at the Government’s concern for developing village and rural industries may be the financial provisions made in various Five Year Plans for these industries.

**TABLE 3**

**PLAN OUTLAYS ON RURAL INDUSTRIALISATION**

<table>
<thead>
<tr>
<th>Plan Period</th>
<th>Public sector outlay (Rs.)</th>
<th>Plan provision for Industry (Rs.)</th>
<th>Rural Industry (Rs.)</th>
<th>% of public sector outlays on Industry as a whole</th>
<th>Rural industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Plan</td>
<td>1960</td>
<td>97</td>
<td>42</td>
<td>4.95</td>
<td>2.1</td>
</tr>
<tr>
<td>II Plan</td>
<td>4672</td>
<td>1125</td>
<td>187</td>
<td>24.08</td>
<td>4.0</td>
</tr>
<tr>
<td>III Plan</td>
<td>8577</td>
<td>1967</td>
<td>241</td>
<td>22.93</td>
<td>2.8</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>6625</td>
<td>1636</td>
<td>126</td>
<td>24.69</td>
<td>1.9</td>
</tr>
<tr>
<td>IV Plan</td>
<td>15779</td>
<td>3107</td>
<td>293</td>
<td>19.69</td>
<td>1.9</td>
</tr>
<tr>
<td>V Plan</td>
<td>39426</td>
<td>9581</td>
<td>592</td>
<td>24.30</td>
<td>1.5</td>
</tr>
<tr>
<td>1979-80</td>
<td>12601</td>
<td>2639</td>
<td>289</td>
<td>20.94</td>
<td>2.3</td>
</tr>
<tr>
<td>VI Plan</td>
<td>97500</td>
<td>15018</td>
<td>1780</td>
<td>15.40</td>
<td>1.8</td>
</tr>
<tr>
<td>VII Plan</td>
<td>180000</td>
<td>19708</td>
<td>2753</td>
<td>10.95</td>
<td>1.5</td>
</tr>
<tr>
<td>VII Plan</td>
<td>434100</td>
<td>NA</td>
<td>6334</td>
<td>NA</td>
<td>1.6</td>
</tr>
</tbody>
</table>


That the government is assigning increasing importance to the development and role of rural industries sector in the Indian economy is well vindicated by its continuously increasing plan outlays from Rs.97 crores in the First Five Year Plan to Rs.19708 crores in the Seventh Plan. But, the percentage of plan outlays on the industry on the whole to the total public
sector outlay has been declining from 24.08 per cent in the Second Plan to 10.95 per cent in the Seventh Plan. Though the expenditure on rural industries has been on increase from Rs.42 crores in the First Plan to a staggering figure of Rs.6334 crore in the Eighth plan, the percentage of allocation has been decreasing from 4 per cent in the Second plan to 1.6 per cent in the Eighth Plan. What these trends imply that while the increasing importance was given to the rural industries in the Five Year Plans, the professions were not matched by plan expenditure in various Five Year Plans on the development of village and rural industries.

It seems pertinent to look at the actual performance of rural industries over the period against so enunciated plan emphasis on them. Table 4 bears data on performance of rural and village industries in terms of production, sales, earnings and employment.
TABLE 4

PERFORMANCE OF VILLAGE AND RURAL INDUSTRIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Sales</th>
<th>Earnings</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971-72</td>
<td>93.69</td>
<td>81.24</td>
<td>16.30</td>
<td>8.38</td>
</tr>
<tr>
<td>1972-73</td>
<td>109.13</td>
<td>97.04</td>
<td>17.80</td>
<td>8.40</td>
</tr>
<tr>
<td>1973-74</td>
<td>122.40</td>
<td>115.64</td>
<td>22.16</td>
<td>9.25</td>
</tr>
<tr>
<td>1974-75</td>
<td>136.31</td>
<td>133.17</td>
<td>28.05</td>
<td>9.82</td>
</tr>
<tr>
<td>1975-76</td>
<td>148.48</td>
<td>151.58</td>
<td>35.21</td>
<td>11.20</td>
</tr>
<tr>
<td>1976-77</td>
<td>171.73</td>
<td>174.71</td>
<td>40.19</td>
<td>11.78</td>
</tr>
<tr>
<td>1977-78</td>
<td>192.54</td>
<td>190.29</td>
<td>50.10</td>
<td>14.91</td>
</tr>
<tr>
<td>1978-79</td>
<td>242.97</td>
<td>242.01</td>
<td>59.79</td>
<td>14.96</td>
</tr>
<tr>
<td>1979-80</td>
<td>347.98</td>
<td>358.97</td>
<td>78.84</td>
<td>16.18</td>
</tr>
<tr>
<td>1980-81</td>
<td>451.24</td>
<td>476.47</td>
<td>101.34</td>
<td>18.10</td>
</tr>
<tr>
<td>1989-90</td>
<td>170.53</td>
<td>1895.47</td>
<td>546.85</td>
<td>27.80</td>
</tr>
<tr>
<td>1990-91</td>
<td>1994.07</td>
<td>2228.97</td>
<td>647.31</td>
<td>29.21</td>
</tr>
<tr>
<td>1992-93</td>
<td>2523.45</td>
<td>2801.13</td>
<td>845.58</td>
<td>36.21</td>
</tr>
<tr>
<td>1996-97</td>
<td>3760.21</td>
<td>3926.20</td>
<td>1126.25</td>
<td>46.25</td>
</tr>
<tr>
<td>1997-98</td>
<td>3895.21</td>
<td>4319.38</td>
<td>1275.57</td>
<td>42.45</td>
</tr>
<tr>
<td>2004-05</td>
<td>4359.80</td>
<td>5631.48</td>
<td>1374.61</td>
<td>47.31</td>
</tr>
</tbody>
</table>

Source: Annual Report of KVIC 1971-72 to 2005

It is clearly seen from the table that the production, sales, earnings and employment in village and rural industries are continuously on increase. This only underlines the vibrant nature of the SSI sector in the Indian economy.

PROBLEMS OF RURAL ENTREPRENEURS

Developing entrepreneurship especially rural entrepreneurship is an important is not so easy. It is constrained with several problems. The general bottle-necks in the development of village industries are financial
constraints, lack of technical know-how, lack of training and extension services, management problems, lack of quality control, high cost of production due to high input cost, lack of communication and market information, poor quality of raw materials; lack of storage and warehousing facilities, obsolete and primitive technology and lack of promotional strategy.¹

According to the Ninth Plan,² the major problems faced in developing entrepreneurship in rural areas are (i) inadequate flow of credit (ii) use of obsolete technology, machinery and equipment (iii) poor quality standards and (iv) inadequate infrastructural facilities.

One of the major problems faced in developing entrepreneurship in rural areas is lack of awareness and knowledge about the importance of developing industries in rural areas. Added to this is disinterest shown by rural people towards assuming the career as an entrepreneur for one reason or other. Rural/Village people generally want to take up salaried employment because of assured income, lesser hours of work, lesser degree of responsibility etc. This is supported by the society's higher degree of status accorded to the salaried people than to self-employed ones, or say, entrepreneurs. Further, the rural people are generally not aware about the

¹ M.Soundarapandian, Development of Rural Industrialisation: Issues and Strategies, Kurukshetra, November 1999, p.6
entrepreneurial opportunities and also about support organisations and other information required to take the first step in their entrepreneurial career. Even those who are aware about the facilities and support system for starting entrepreneurial career find organisational climate to be not so helpful. Thus, the environment in the family, society and the support system is generally not conducive to encourage the rural people to consider self-employment and entrepreneurial career as an option to salaried employment.¹

Besides, developing rural entrepreneurship faces all those problems that are faced in the development of small scale industries in the country.

HOW TO DEVELOP RURAL ENTREPRENEURSHIP

Establishing an industry and, thereby developing entrepreneurship is not one-man activity. In fact, it involves multi-pronged activities. Though the answer to the question how to develop entrepreneurship lies in the solutions of the problems faced in this regard, yet the following measures are suggested for developing entrepreneurship in the rural areas in the country.

1. Raw material is a must for any industry: However, the non-availability of raw materials accompanied by their prohibitive cost has weakened the viability of these industries. Past experience bears evidence that rural industries with employment potential can not be sustained for long

unless a strong raw material-base is created in rural areas itself. Therefore, an urgent policy is called for to strengthen the raw material base in rural areas.

2. Finance is considered as lubricant for setting up and running an industry. Funds, therefore, need to be made available on time at soft terms and conditions to those who really need it.

3. In order to solve the problem of marketing for rural industries, common production-cum-marketing centres need to be set up and developed with modern infrastructural facilities, particularly, in the areas having good production and growth potential. This would help in promoting export business, on the one hand, and bringing the buyers and sellers in close interaction avoiding middleman in between them, on the other. Legislative measures have to be taken to make the government purchases compulsory from rural industries.

4. One peculiarity of rural entrepreneurs is that most of them join their entrepreneurial career not by choice but by chance. Lack of aptitude and competency on the part of such entrepreneurs makes the units sick. Hence, there is a need to develop entrepreneurial attitude and competencies among the prospective entrepreneurs through the training interventions like
Entrepreneurship Development Programmes (EDP) Women Entrepreneurship Development Programmes and TRYSEM.

5. One effective way to inculcate the entrepreneurial acumen and attitude may be imparting entrepreneurial education in the schools, colleges, and universities. That younger minds are more susceptible to be moulded is well evidenced by the popularly known Kakinada Experiments,¹ in Andhra Pradesh.

6. Sometimes the real problem in setting up industries is not the non-availability of facilities, but non-awareness of facilities whatever is available. The need is, therefore, to disseminate information about all what is available to provide to the entrepreneurs to facilitate them in setting up industries.

7. Proper provisions need to be made to impart the institutional training to orient the entrepreneurs in specific products and trades so that the local resources can be harnessed properly.

8. Our accumulated experience bears ample evidences to the fact that the non-governmental organisations, popularly known as NGOs, can prove instrumental in developing rural entrepreneurs in the country. The role of NGOs in developing entrepreneurship is, therefore, discussed separately.

¹ David C.McClelland, The Urge to Achieve, Think Nov.-Dec. 1966, p.22
NGOs AND RURAL ENTREPRENEURSHIP

There is no denying of the fact that development of entrepreneurship has emerged as a national movement due to its strengths to solve the twin problems of unemployment and poverty. In fact, the need for development of spirit of enterprise among the target population intensified more during the nineties with the failure of the trickle down theory to percolate the development benefits to the masses at grass-root level. It is against this background, several self-employment and anti-poverty programmes like PMRY, TRYSEM etc. involving some entrepreneurial qualities were introduced by the government as a tool of bottom up mode of development. However, these programmes executed by the Government agencies proved ineffective due to their weaknesses of one type or other. Such a situation necessitated the NGOs to come out of their traditional bounds like health, sanitation, education, family planning, environment protection etc. to join a noble mission to entrepreneurise the lesser known target groups.¹ The Government agencies engaged in this activity strengthened the NGOs by co-opting and collaborating with them to reach the lower rungs of the society.

Today, we have several NGOs contributing to entrepreneurship development in the country. The major ones are National Alliance of Young


The NGOs involved in entrepreneurship development can be classified into three types:

1. **Primary Level NGOs:** The NGOs who mobilise their own resources, operate at international level and execute developmental activities themselves or through intermediate fall within this category. ACTIONAID, OCFAM, Christian Children Fund etc. are prominent examples of the primary level NGOs in India.

2. **Intermediate NGOs:** These NGOs procure funds from various agencies, import training, and conduct workshops for target work force. SEWA and AWAKE are examples of intermediate NGOs.

3. **Grass Root Level NGOs:** These NGOs are those who conduct field activities by establishing direct contact with the grass root people (needy). Examples of such NGOs are RUDESTIs, ANARDE Foundation (Gujarat), Indian Institute of Youth welfare (IYYW) of Maharashtra etc.
The training imparted to the needy by the NGOs can be classified into three broad types:

1. **Stimulation**: Conducting EDPs and other training programmes for the target people with a view to stimulate enterprising attitude among them.

2. **Counselling**: Providing counselling and consultancy services to the needy ones how to prepare a project, feasibility report, purchase of plant and machinery, and performing other procedural activities.

3. **Assistance**: Assisting the target group in marketing their products and securing finance from financial institutions.

Lastly, the role of NGOs in entrepreneurship development can better be understood in terms of their strengths and weaknesses in the context of entrepreneurship development. The NGOs have revealed the following strengths as an edge over others.¹

- The lean overhead and operating costs to reach the poor and needy.
- Flexibility and responsiveness in operation to invent appropriate solution.
- Nearness to client groups made them to be sensitive to community need.

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¹ Ganesh Bhat, S., Rural Entrepreneurship and NGOs, Kurukshetra, November 1999, p.18
• Capacity for innovation and experimentation with new groups and untried development approach.

• Stimulating and mobilising interest in the community.

• Dependence on customer satisfaction.

• Act as a test bed and sound board for government policies and programmes.

That one can not imbue in others what one cannot possess oneself applies to the NGOs also. The well noted weaknesses the NGOs suffer from are listed as follows:

• Role conflict as to the traditional areas of operation and micro-entrepreneurship development.

• Doubtful leadership and succession.

• Anti-business philosophy, lack of programme integration due to lack of proper understanding of entrepreneurship approach.

• Inadequate opportunities to work as trainer/motivator.

• Absence of Impact assessment because of self righteousness on the part of NGO leaders.

• Not all NGOs are ready and equipped to take up this activity.

In spite of these so called weaknesses, the role of NGOs in entrepreneurship development cannot be undermined. Evidences are galore
to mention that a few NGOs in India have succeeded largely in imparting entrepreneurial skills among the weaker sections of the society.

**Entrepreneurship in Tamil Nadu**

The growth of entrepreneurship in Tamil Nadu is in line with the growth of industries at the National level. Subsequent to the Industrial Policy Statement of 23rd July 1980, large, medium and small industrial units have been assigned a complementary role in order to have a harmonious and integrated growth of industries. The development of industries was planned to meet the plan objectives and perspective. In order to provide further impetus to the growth of small scale sector, New Industrial Policy was announced on 24th July 1991 and as a sequel to that the Government announced 'Policy Measures' to promote and strengthen small, tiny and village enterprises on 6th August 1991. Promotion of entrepreneurship, particularly among women, prompt settlement of small industries bills, special schemes of modernization, technologies upgradation, quality control, integrated infrastructural development, promotion of internal marketing and exports were the package of measures implemented to promote small scale industry.

The Second All India Census of Small Scale Industrial units registered with the Tamil Nadu State Directorate of Industries and Commerce upto
31.3.1988 and falling under the purview of the Small Industries Development Organisation, was conducted by the State Directorate of Industries and the Small Industries Service Institute, Madras. The reference year of the census was 1987-88 and production figures for 1985-86, 1986-87 and 1987-88 were collected in the census. The census shows the state of entrepreneurship in Tamil Nadu.

The units registered with SIDCO upto March 1988 in Tamil Nadu were approximately 8 percent of the corresponding bracket for India as a whole.

Out of 83,267 units, 57,592 working and 24,825 closed. Of the 57,592 working units, 57,213 were responding (99 percent) and the units had a total fixed investment of Rs.1,08,584 lakhs, the original value of investment in plant and machinery being Rs.62,928 lakhs (58 percent) and the book value being Rs.37,308 lakhs. These units have provided employment to 5,36,381 people during 1987-88. Net value addition by SIDDCO units was Rs.96,831 lakhs in Tamil Nadu during 1987-88\(^1\).

The 57,213 working units had an installed capacity of Rs.6208 crores and they recorded production of Rs.4513 crores during 1987-88. The

\(^1\)Report on the Second All India Census of Small Scale Industrial Units
capacity utilization of SIDCO sector worked out at 72.69 percent for the state.

Of the 57,213 working units, 889 units (1.55 percent) were exporting and exports the from SIDCO sector during 1987-88 was Rs.49.662 lakhs.

Of the 57,213 units 2,387 units were run by women entrepreneurs. Of the total of 5,36,381 persons employed in the registered SIDCO units 67,322 persons were self-employed (12.6 percent)

Tamil Nadu is industrially advanced and Chennai is the home of some of India’s largest industrial corporations. Tamil Nadu is a leader in textiles and it has been ranked fourth in industrial production after Maharashtra, West Bengal and Gujarath. In Madras city alone there is an automobile producing unit, bicycles producing unit, motor cycles, tyres, railway cars and machine tools producing units. Apart from such big units, small manufacturing units are located at various places in Madras City, particularly in Guindy Industrial Estate, the first of its kind in India. The smaller and low technology units cluster in specialized enclaves within the city\(^1\).

The small units in Tamil Nadu use advanced technologies to suit their requirements. In 1975, India’s largest manufacturer of surveying instruments was a Tamil Nadu based small scale industry. The entrepreneurs in Tamil Nadu have a fairly good background with majority of them not being the first in their families to become manufacturers. These units not only take advantage of incentives offered by the Government to promote industries but also provide occupational opportunity for people. Below the top level units were the smaller firms which provide ample scope for increasing business and income. The entrepreneurs who have started business on their own were either forced by economic necessity to become entrepreneurs or had the natural desire for it.

**Dalit Entrepreneurs**

A genetic term for the erstwhile and still untouchable castes and sub-castes known by different names indifferent areas, coined by Dr. Ambedkar and meaning the "Oppressed" or "downtrodden" it implies the need to revolt against oppression. Dalit, the world in contrast to Gandhi’s "Harijan" and the constitutional category of "Scheduled Caste", is a symbol of assertive pride and resistance to the linked oppression of caste and class.¹

In the traditional ridden Indian society Dalits are generally accorded in inferior social status. It is not only unconstitutional and gross social injustice but also a mark of the illusory development of human resources. This is particularly noticeable in the case of village where Dalits are traditionally ignored and the development of Dalits leadership at gross root level needed most. Dalits have always been the main source of development of human capital since the inception of this universe. The leadership potentialities in Dalits are growing as a result of increasing social awareness, acceleration and improvement in the level of education, social legislation enacted from time to time for raising the status of Dalits.

**Need for Dalit Entrepreneurship**

Employment gives economic status to Dalits. Economic status paves the way of social status. Gone are the days when a upper caste people could boast of being capable of feeding the whole family. Dalits constitute almost 30 per cent of the Indian population. In the rural sector 57 percent of the upper caste people and 26 percent of the Dalits were in the labour force. About 56 of the Dalit population in the rural sector is idle and unutilized. This is mainly due to existing social customs.

But now the scenarios are changing fast with modernization, urbanization and development of education and business. Dalits are now
seeking gainful employment in several fields in increasing numbers with the spread of education and new awareness Dalit Entrepreneurs are spreading their wings to higher levels of 3 entrepreneurs namely engineering, electronics and energy. So today, no field is unapproachable to trained and determined Modern Indian Dalits. But still it can not be said that the Dalits entrepreneurship movement has taken off the ground and it is felt that the movement is still in a transition period. Entrepreneurship for Dalits can be planned and developed and the need for providing appropriate awareness and environment to promote entrepreneurship is of vital importance.

Moreover, Dalits have become an integral part of the industrialized society. Educated Dalits need not wait for employment in the organised sector. Dalits are expected to come out from tradition by taking up self-employment ventures.

**Problems of Dalit Entrepreneurs**

The growth of Dalit entrepreneurial field is haunted by a number of difficulties, snags and problems. They are:

a) Stiff competition from other caste entrepreneurs,

b) High prices of raw materials

c) Financial constraints,

d) Managerial constraints
e) Technical difficulties,
f) Low ability to bear economic risk, social risk and environmental risk,
g) Discrimination in selection for entrepreneurial development training
h) Low level of favourable family background in the field of family co-operation, education, occupation and entrepreneurial base,
i) Lack of specialized entrepreneurial programmes for Dalit entrepreneurs.

THE CONCEPT OF SELF HELP GROUPS

The Self Help Groups are playing an important role in rural development. These are voluntary groups. In a village the women below the poverty level organise themselves under one group, contribute a small amount as subscription towards savings and credit is given to group members at a very low rate of interest for starting new business enterprises. A Self Help Group is defined as “a small economically homogeneous and affinity group of rural poor, voluntarily formed to save and mutually agree to contribute to a common fund to be lent to its members as per the group
The main aim of Self Help Groups is creating awareness among the poor people about the on-going development programmes. The Self Help Groups are voluntary associations of people formed to attain some common goals. These are groups which have similar social identity, heritage, caste or traditional occupations and come together for a common cause and manage resources for the benefit of a group member. The Self Help Groups collect money from the group members provides loans. Each member is educated to manage the fund effectively. The Self Help Groups become a collective voice of the poor against common oppression and exploitation. Self Help Groups provide the women folk with collective implementation of programmes for common benefit.

ORIGIN OF SELF HELP GROUPS

The failure of formal credit sector to address the needs of the poor led to an alternative, which built upon existing rational embryonic institutions common in society. These traditional groups provide an organisational framework, which facilitates self-reliance in access to credit. These grassroots organisations, which were based on the principle of need and collective action, are now more commonly referred to as self-help groups.

The origin of Self Help Groups is the brainchild of Grameen Bank of Bangladesh, which was founded by Prof. Mohamed Younus of Chittagong University in the year 1975. This was established exclusively for the poor.¹

The success story is Bangladesh Grameen Bank offers small loans to enterprising villages and relies on peer pressure to ensure prompt repayment. It was converted into an independent bank by Government ordinance in 1983. Today its services reach an estimated 38000 villages throughout rural Bangladesh, benefiting some two million families. Grameen’s success, highlighted by a remarkable 98 per cent of loan repayment rate, has demonstrated convincingly that small loans to village entrepreneurs are an effective means to encourage self reliance, for boosting incomes and saving people from the thorns of the relentless cycle of poverty, malnutrition and possibly early death.

Self Help Groups schemes are now operating in many developing countries across Asia, Africa and Latin America. The operations emphasise ‘strategic lending’ that is lending very small short term loans to very poor micro-entrepreneurs. Group members guarantee loan repayment collectively and access to future credit to loans is contingent on successful repayment.

CHARACTERISTICS OF SELF HELP GROUPS

Small size, identical interest, social heritage, common occupation, homogeneity and affinity, intimate knowledge of member’s intrinsic strength, needs and problems, flexibility and responsiveness, democracy in operations, simple documentation, collective leadership, mutual discussions, group solidarity, self-help, awareness, social and economic empowerment, are the important characteristics of Self Help Groups.

In Self Help Groups collective action and solidarity are important empowering mechanisms. Collectivisation implies cohesion of the group. Cohesion enables the members of the group to perceive common interests and act collectively.

Self Help Groups are mostly informal groups where members pool savings as a thrift deposit. The groups have common perception of need. The pooled resources are used to meet various credit needs of the members.

“The Self Help Groups revolution”, as it may be termed, has been instrumental in assimilation and dissemination of knowledge on health, nutrition, literacy, women’s rights, child care, education, adoption of new agricultural practices and non-farm sector economic activities and the like. It has paved the way for increased participation of women in decision-making
in households and community and in the local democratic set up, besides helping to prepare women to take up leadership responsibilities."

**FORMATION AND MANAGEMENT OF SELF HELP GROUPS**

Group formation is preceded by a village level household survey, which provides the base line data. This should be introduced by NGOs, for which techniques like social mapping, participatory rural appraisal and wealth ranking are used to identify the poorest habitations in every panchayat. The women in these households are the target group.

The eligibility criteria for the formation of Self Help Groups are given below:

The group size should be in the range of 12-20 members to facilitate sustainability. In no case should the group size exceed 20. The age group for the membership will be 18-60 years. The members should be married women. Preference will be given for the poorest women amongst the target group, with focus on widows, divorces, deserted and handicapped women.

Priority will be given to Scheduled Caste/Scheduled Tribes and other socially backward communities. The groups must be mixed groups, composed of members from different communities as far as possible. More than one member of the same family in the same Self Help Groups is to be

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1 Annual Report 1999-2000, Tamilnadu Corporation for development of Women Ltd. pp.4-6
strictly avoided as this would lead to bias in decision-making and group dynamics. Group formation should be cleared by NGO, which would be after a period of three months from the commencement of group functioning to ensure proper targeting of the poorest and disadvantaged sections of society.

**Animators and Representatives**

The organisation structure of a Self Help Groups consists of one animator, two representatives and members. The animator will be from the local village and must necessarily be resident of the village. The animator should preferably be literate and must possess certain leadership qualities. She must be in a position to take on the role of trainer for the group members in certain aspects of their daily life and group functioning, based on the training that would be given to her. In short, she must be a role model and a change agent of the groups for the village as a whole. It is therefore necessary that she should not be a defaulter of bank loan herself. She should also not be an office-bearer of any other organisation, so that there is greater loyalty and commitment to the Self Help Groups. She should be the focus for free and democratic functioning of the Self Help Groups.
Role of Animators

Animators play an important role in the functioning of a Self Help Groups. She is expected to carryout the following functions.

1. Convene and conduct women's groups meetings at regular intervals.

2. Create awareness of present social position, objectives of the programme and motivate building up of team spirit and team work.

3. Work for improvement of literacy and numeracy of the group members.

4. Disseminate information to members about Government's development and welfare schemes, especially in relation to health and family welfare education.

5. Disseminate information relating to Self Help Groups management, general hygiene environment consciousness, women and the law received during the training session among Self Help Groups members.

6. Facilitate groups to identify appropriate income generating activities for members, coordinate with banks for getting loans and ensure prompt repayment.

7. Training the members in the procedures of bank transactions.

8. Motivating members towards collective thinking and action.

10. Ensure regular group savings by members.

11. Prompt updating and proper maintenance of minutes book and all other account books.

**Role of Representatives**

Two representatives are nominated by the Self Help Groups from amongst members, rotated on a yearly basis. They carry out the following functions.

1. Convene the group meetings at regular intervals.

2. Assist the animator in the achievement of programme objectives

3. Operate bank account jointly as authorised by group

4. Disseminate information received during training sessions among Self Help Groups members.

5. Assist the group in getting bank loan, assets creation and motivation for repayment.

6. Handling cash and all related banking activities.

7. Help problem solving within the group.

8. Try to mobilise local resources for benefit of the group village.

9. Management and effective use of group savings and loan funds.
10. Providing training of group members to improve their business skills, management of their activities and understanding of credit and banking procedures.

11. Carrying out decisions of the group.

12. Representing the group in other forms like Block Level Coordination Committee (BLCC) and Cluster Level Federation (CLF) review meeting.

The animator’s position must be rotated amongst the representatives once in every two years. She will facilitate a smooth switchover of responsibilities in the above process. She will also assist the representative to learn the role of the animator to facilitate handing over of responsibilities as and when required.

**Role of Self Help Groups Members**

The Self Help Groups members play the following roles.

i. Promptly attend Self Help Group meetings

ii. Full participation in Self Help Group meetings and voicing opinion clearly and freely.

iii. Share responsibility of Self Help Groups collectively like going to banks by rotation, and prompt repayment of Self Help Groups loans.
iv. Participate in village and social action programmes.

v. To ensure unity and mutual trust among all members and adopt the principle of give and take.

vi. Ask questions/doubts openly and ensure that the Self Help Groups functions transparently.

vii. Ensure prompt annual re-election of representatives and also animator.

**Group Meetings**

The groups must meet every week for savings and repayment collections and every fortnight for discussing all other matters in addition to savings and repayment. In certain cases the meetings can be once in 10 days for both savings and repayment and other matters instead of weekly and fortnightly. In no case must group meetings be held less frequently then once in 10 days.

Group meetings need to be conducted with a certain discipline in relation to regularity, time and items to be discussed. There need to be a fixed day, every week or 10 days, on which day and time the meeting is to be conducted. Any member, including the animator, representative who without prior intimation to the group either does not turn up or turns up late, is to pay a fine as imposed by the group on such a member. The fine amount
can be decided by the group. It ranges from Rs.1 to Rs.5 in different groups for coming late, and Rs.5 to Rs.10 for missing a meeting.

Savings, rotation of Sangha funds, bank loans and repayments, social and community action programmes, must be discussed in every meeting of a Self Help Group.

**Opening of Bank Accounts**

Self Help Groups should immediately open bank accounts on formation of each group in order to ensure safe and transparent transactions. This account may be opened in any bank of their choice depending upon their convenience and proximity since the service loans are advanced by nationalised banks with NABARD re-finance assistance. This helps in safe handling of Self Help Group funds.

**Group Savings**

The group members are encouraged to save. Self Help Groups starting with fixed savings can be motivated to switch over to optional savings (to a minimum savings). This is especially relevant as most of the Self Help Group members have seasonal employment and can make up for poorer savings during lean season with higher savings during employment seasons by adopting optional savings. Regular weekly saving is the most important factor that determines the speed of growth leading to quicker sustainability.
NGOs continuously motivate Self Help Groups to increase the frequency of savings so that they adopt weekly savings over a course of time. They also motivate Self Help Group members to raise their savings amount as and when it appears that the members have improved their income levels. The Self Help Group would debate and decide on what is best for them. There is no compulsion by the NGO leading to the dropout of poorer members.

**Group Common Fund**

The groups may generate funds through fines from members, in addition to savings and maintenance grants from the NGOs and bonus for various programmes besides regular subscription. Collection of service charges on external loans is left to the discretion of the group.

**Group Reserve Fund**

The group reserve fund is an essential aid for sustainability. This is created from the inception of the group by keeping aside 50 per cent of interest earned on loans. The primary use of the group reserve fund will be for meeting contingencies like genuine defaults on external loans by the group members. In order to prevent this from becoming a disincentive for repayment, 10 to 15 per cent of the total net interest accumulation (after deducting the interest paid to banks/NGOs on external loans) can be
distributed as dividend to the non-defaulting members from the third year onwards while retaining the amount required for contingencies.

**Rotation of Group Funds**

All savings on common fund would be rotated amongst the members at rates of interest to be decided by the group. It usually varies between two per cent and three per cent per month. To whom the loan should be given is also a group decision. This loan would enable the members to meet their small consumption and productive needs without having to go to the moneylender, bank or cooperative society.

Internal loans are prioritised and differential rates of interest are charged for emergency loans, as distinct from loans for income-generating activities and family functions. Internal loans are not given to more than 10 members at any given point of time except in extraordinary situations. Request of a second loan before clearing the first loan from the group is not be admitted. However, the group can decides regarding both these points based on the circumstances. Internal or external loans are not be given by the Self Help Group for any non-member under any condition. This would only leads to undesirable results like bad debts.

Self Help Groups are motivated to fully (100%) rotate their savings from the first month of their formation. It is noted that group cohesion and
understanding develop only because the members learn to gain by mutual help. Any delay in internal rotation will only delay development of the Self Help Group, besides driving the Self Help Group members back into the clutches of the local moneylenders.

It is also necessary that federations do not enter into the area of lending to Self Help Group members when internal lending itself is yet to stabilise. This will not only lead to poor growth of Self Help Group funds, but also lead to undesirable dependence on NGO/Federation, leading to non-attainment of sustainability. The Self Help Groups are given an opportunity to meet their own needs by themselves.

Books and Registers maintained by Self Help Groups

The following books and registers are maintained in every group.

1. Attendance Register
2. Minutes Book
3. Savings Ledger
4. Loan ledger
5. General Ledger
6. Cash Book
7. Individual Pass Book
8. Receipt Book and
9. Payment vouchers

The above books and registers are maintained and updated on a regular basis for which the primary responsibility is that of the animator. The first set of books and registers are supplied by the Project Implementation Unit (PIU). NGOs may ensure that the double entry book keeping system suggested is followed strictly. This, though difficult in the early months, will pay rich dividends in the later years when the transactions in each Self Help Group rise to large levels.

Cluster Level Federations

Federations of women’s groups are promoted at the cluster level. This process commences within six months or one year of group formation. As a forerunner, participation in Block Level Coordination Committee (BLCC) meeting is being insisted upon in the first two years. NGOs motivate them to evolve into cluster level federations, which are again informal groups. The monthly BLCC meetings are conducted by Self Help Group women representatives (at the rate of one or two representatives from each Self Help Group).

The BLCC meetings elect a couple of functionaries to convene meetings. They are called Secretary, Joint Secretary or Convenor or representatives of the CLF. BLCC meetings are conducted by Self Help
Group women themselves with the NGO/PIU staff sitting outside the circle on the side. They only help and facilitate in preparation of agenda. Minutes and other petitions and the like are written by Self Help Group women functionaries themselves.

The facility extends to have group discussion on relevant topics related to Self Help Group management, double-entry account keeping and social problems faced by Self Help Groups. Experience-sharing by Self Help Group women on achievement is also be promoted.

Cluster level federations are formed with the following guidelines:

i. 15-25 groups to a cluster

ii. 2 representative from each group

iii. 2 years tenure for representative and

iv. Rotation in alternate years

**Role of Cluster Level Federation**

The following are the functions of Cluster Level Federations:

1. Facilitate formation of new groups by other poor women.

2. Organise annual auditing for the groups through a qualified auditor.

3. Organise cluster level meeting and workshops

4. Organising cluster level events.
5. Assist and take over responsibility for Self Help Group grading in the cluster.

6. Provide special support for weak groups after grading.

7. Financial role is not advisable in early period, unless the groups want to have this role for the cluster level organisation.

SELF HELP GROUPS IN TAMILNADU

The Tamilnadu Government and Non-Governmental Organisations made an experiment on Self Help Groups in the 1980s. This experiment proved to be a laboratory model worthy of up-scaling and replication in other parts of the State and country. This early pioneering effort was aided and enhanced by assistance of the International Fund for Agricultural Development, through the Tamilnadu Women Development Project (TNWDP). The prime objectives of the project were to improve the social and economic position of women below the poverty line, through the formation of Self Help Groups of poor women with active assistance and supervision of NGOs.

Phase-wise Distribution of Self Help Groups

For the purpose of effective implementation of the Mahalir Thittam Scheme of the TNCDW, the Government initiated the Self Help Group programme phase-wise. Accordingly as first phase it was introduced in 14
districts of Tamilnadu during 1997-98 followed by seven districts during 1998-99 (II Phase) and another eight districts were covered during 1999-2000 as the third phase. During 2001-2002, in Chennai, Self Help Groups were introduced as a fourth phase. A detailed phase-wise distribution of the Self Help Groups in Tamilnadu is presented in Table 5.

**TABLE 5**

**PHASE WISE DISTRIBUTION OF SELF HELP GROUPS IN TAMILNADU**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dharmapuri</td>
<td>Erode</td>
<td>Coimbatore</td>
<td>Chennai</td>
</tr>
<tr>
<td>Villupuram</td>
<td>Pudukkottai</td>
<td>Dindigul</td>
<td></td>
</tr>
<tr>
<td>Ramanathapuram</td>
<td>Sivagangai</td>
<td>Kancheepuram</td>
<td></td>
</tr>
<tr>
<td>Cuddalore</td>
<td>Nilgiris</td>
<td>Kanniyakumari</td>
<td></td>
</tr>
<tr>
<td>Karur,</td>
<td>Thiruvannamalai</td>
<td>Nagapattinam</td>
<td></td>
</tr>
<tr>
<td>Namakkal</td>
<td>Tiruchirapalli</td>
<td>Perambalur</td>
<td></td>
</tr>
<tr>
<td>Theni</td>
<td>Tirunelveli</td>
<td>Thanjavur</td>
<td></td>
</tr>
<tr>
<td>Thiruvarur</td>
<td></td>
<td>Ariyalur</td>
<td></td>
</tr>
<tr>
<td>Thoothukudi</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vellore</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virudhunagar</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salem</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madurai</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 14                   | 7                    | 8                    | 1                    |

Source: Annual reports, Mahalirthittam, Tamilnadu Corporation for Development of Women Ltd. 2002-2003, pp.7-8

The Self Help Groups have been recognised as organisations for the upliftment of its members. The Self Help Groups strive to help the members by performing some activities for their socio-economic development, such
as supply of business equipments to members of the Self Help Groups, imparting education relating to small savings, family planning, health and hygiene and insurance to members and extending loan facilities to member’s for the purchase of raw materials for the elimination of money lenders who charge high rates of interest. The financial assistance to the members of Self Help Groups from the Government of Tamilnadu is channelised through them.

Growth of Self Help Groups in Tamilnadu

The active Government support and overwhelming involvement of NGOs paved the way for a multifold increase of Self Help Groups in the State of Tamilnadu. The numbers of Self Help Groups started and annual compound growth rate from 1997-98 to 2002-03 are presented in Table 6.

**TABLE 6**

**SELF HELP GROUPS IN TAMILNADU**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SHGs</th>
<th>Increase/Decrease over the previous year</th>
<th>Percentage increase of decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>5177</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>1998-99</td>
<td>11191</td>
<td>6014</td>
<td>116.17</td>
</tr>
<tr>
<td>1999-00</td>
<td>26220</td>
<td>15029</td>
<td>134.29</td>
</tr>
<tr>
<td>2000-01</td>
<td>75247</td>
<td>49027</td>
<td>186.98</td>
</tr>
<tr>
<td>2001-02</td>
<td>105826</td>
<td>30579</td>
<td>40.64</td>
</tr>
<tr>
<td>2002-03</td>
<td>126106</td>
<td>20280</td>
<td>19.16</td>
</tr>
<tr>
<td>CGR (per cent/Annum)</td>
<td>97.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CV (per cent)</td>
<td>88.19</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 6 shows that the number of Self Help Groups formed from 1997-98 to 2002-03 was on the increase. The highest increase of 186.98 per cent is observed in 2000-01 and the lowest of 19.16 in 2002-03. Increase in the number of Self Help Groups till 2000-01 at a galloping rate reveals the massive initiatives taken by the Government of Tamilnadu in formation of Self Help Groups in every nook and corner of the State through the programmes envisaged by Mahalir Thittam. Spontaneous public support due to the success stories of existing Self Help Groups might have been another cause for such an increase. During 2001-02, the State Government instructed all its machineries to take stock of the situation instead of enrolling more and more groups in their ambit. Concentration was given to strengthen the groups so far formed as it thought a mere increase in number of Self Help Groups without quality would spoil the very purpose of Self Help Groups. That was why there was a declining trend in growth of Self Help Groups during the later part of the study period. It is also observed that the compound growth rate of number of Self Help Groups is 97.15 per cent per annum with a coefficient of variation of 88.19 per cent during the period taken for the study.

An attempt is made to ascertain the pattern of growth of Self Help Groups in Nagapattinam District. Number of Self Help Groups formed from
1997-98 to 2002-03 in the district, its increase or decrease over the previous year, percentage increase or decrease, compound growth rate and coefficient of variation are presented in Table 7.

**TABLE 7**

**GROWTH OF SELF HELP GROUPS IN NAGAPATTINAM DISTRICT**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SHGs</th>
<th>Increase/Decrease over the previous year</th>
<th>Percentage increase of decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>NA</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>1998-99</td>
<td>529</td>
<td>148</td>
<td>27.98</td>
</tr>
<tr>
<td>1999-00</td>
<td>677</td>
<td>941</td>
<td>138.99</td>
</tr>
<tr>
<td>2000-01</td>
<td>1618</td>
<td>301</td>
<td>18.60</td>
</tr>
<tr>
<td>2001-02</td>
<td>1919</td>
<td>872</td>
<td>45.44</td>
</tr>
<tr>
<td>2002-03</td>
<td>2791</td>
<td>54.77</td>
<td>61.87</td>
</tr>
</tbody>
</table>

Source: Office of Mahalir Thittam, Project Implementation Unit, Nagapattinam District, Tamilnadu.

Table 7 shows that the number of Self Help Groups in Nagapattinam district increased from 529 in 1998-99 to 2791 in 2002-03 indicating an annual compound growth rate of 54.77 per cent. The highest percentage increase of 138.99 is observed in 2000-01 and the lowest of 18.60 in 2002-03. The coefficient of variation was 61.87 per cent. It is inferred that the increase in percentage in 2002-03 might have been due to people volunteering to form many groups in spite of indirect moratorium imposed by the Government of Tamilnadu. A comparative analysis is attempted to
highlight the performance of Self Help Groups, in India level, Tamilnadu level and Nagapattinam district level. The relative performance in terms of compound growth rate and coefficient of variation at these three levels are presented in Table 8.

TABLE 8

COMPARATIVE STATEMENT OF GROWTH PARAMETERS

<table>
<thead>
<tr>
<th>Level</th>
<th>CGR (per cent/annum)</th>
<th>CV (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All India</td>
<td>121.86</td>
<td>168.28</td>
</tr>
<tr>
<td>Tamilnadu</td>
<td>97.15</td>
<td>88.19</td>
</tr>
<tr>
<td>Nagapattinam District</td>
<td>54.77</td>
<td>61.87</td>
</tr>
</tbody>
</table>

Table 8 shows that the growth pattern of Self Help Groups with compound growth rate of 121.86 per cent per annum at all India level is highly commendable when compared to that of Tamilnadu level and Nagapattinam district level. The compound growth rate of Self Help Groups in Nagapattinam district was not commendable, though the growth consistency was steady while comparing to all India and Tamilnadu levels.

Numerous published and unpublished records, reports and journals of the Central and State Governments are the sources for the material used in this section. In India Self Help Groups were started to offer the poor people a good living in the rural areas and to improve their socio-economic conditions. The Tamilnadu CDW Ltd. was promoted to pave the way for the
formation of Self Help Groups in various districts of Tamilnadu. It organised a special wing named Mahalir Thittam, which was been supervising their functions. Self Help Groups were started in four phases in Tamilnadu. With the introduction of this four phase Self Help Groups system, the Self Help Group movement gathered momentum in Tamilnadu.

As the condition and status of the women were found to be very poor, the Governments have been taking drastic measures to uplift their status in the society. Hence separate allotments were made in Five Year Plans for women and rural development. Formation, promotion and development of Self Help Groups in Tamilnadu have resulted in personality development, entrepreneurship development and social and economic development among the sample Self Help Group members.

PROFILE OF THE STUDY AREA

This section is devoted to describe the profile of the study area namely Nagapattinam District.

i) Location

Nagapattinam district is bounded by the Thanjavur and Tiruvaraur district on the east by South Arcot Vallalar district on the north and by Palk Strait on the south. It is a coastal region and the coastline has a number of harbours of which mention may be made of Nagore, Point Calimere,
Nagapattinam. The administrative headquarters of this district is located at Nagapattinam town, and it is spread over an area of 4614 sq.kms.

The district of Nagapattinam has been carved out as a separate district due to trifurcation of Thanjavur district. According to this division, six taluks namely Sirkazhi, Tharangambadi, Mayiladuthurai, Valangiman, Nagapattinam and Vedranniymam to from this new district.

ii) Climate

The district lies on the east coast of Tamil Nadu. It is situated between 10.10 and 11.20 of northern latitude and 79.15 and 79.50' of the eastern longitude. The district has a geographical area of 4217.34 square kms. It is bounded by South Arcot District in north, Thanjavur district in the west, Palk Strait in South and Bay of Bengal in the East. The new district has about 170 kilometers of sea coast which is ideal for prawn farming. The salt swamps in South East corner of the district are the largest of these kinds in the state. The district does not have any hill of prominent height.

iii) Rainfall

The district gets more rains from the south-west monsoon. The average annual ranges from 800mm to 1200mm. The atmosphere of the delta is somewhat damp. The hot season begins from March and heat
subsidies after June. The rainy season is from September to November. The Cauvery is the chief river of the district for irrigation.

iv) Administrative Set Up

The district consists of 20 blocks. It has got 1185 Revenue villages. The old port city of Kaveripoompattinam at the confluences of Cauvery is an important tourist center of the district. Other important tourist centers include Velankanni, Nagore the point calimere bird sanctuary and the 40,000 acre Muthupet Lagoon with its unique Magrove system. The Basilica of our Lady of Health at Velankanni, the Nagore Durgah, and the Markandeyar temple at Thirukadayur are the proof of religious sensibilities and communal harmony in the region.

v) Population

According to 2001 census the total population of the district was 14,80,804 among them 740871 were Male population and 739933 were female. People living in rural area were level 1174703 and the urban area 306101 the main languages spoken in the district were Tamil, Telugu and Urdu. There were 781877 literates as per 2001 census.

vi) Dalit Population

The total worker as per the last available census was 512692. Among them 381042 were male worker, 131560 were female worker. The
classification of rural and urban divides them that 429875 were rural workers and 82817 also urban workers. The same census reveals that there were 98485 cultivation in the district, 268167 agriculture labourer, 5154 labourers of house hold industry, 45583 marginal workers, 45737 other worker and 820186 non-workers.

The Birth rate per 1000 population in the rural area was 19.20 and in urban 19.00.

vii) Water Resources

River water is the only source of irrigation in the district. The net area irrigated in the district was 273434 hectares being 91.5 percent of the net area sown. River Cauvery, Vennar and Grand Anikat canal respectively irrigate 43.6 percent, 51.3 percent and 5.1 percent of the net area under irrigation source wise net area under irrigation in Nagapattinam district is given in table 9.
TABLE 9

SOURCE WISE NET AREA UNDER IRRIGATION IN NAGAPATTINAM

<table>
<thead>
<tr>
<th>Irrigation Source</th>
<th>Area (Ha)</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cauvery</td>
<td>1,19,269</td>
<td>43.6</td>
</tr>
<tr>
<td>Vennar</td>
<td>1,40,345</td>
<td>51.3</td>
</tr>
<tr>
<td>Grand Anikat Canal</td>
<td>13,820</td>
<td>5.1</td>
</tr>
<tr>
<td>Total</td>
<td>2,73,434</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: A.C.P. of Nagai District.

viii) Occupational Pattern

Occupational pattern tells upon the economic and social status of the people in an area. Table gives the occupation pattern of workers in Nagapattinam district. Around 47 percent of the workers were farmers and 30 percent were agricultural labourers.

In other words, about 80 percent of the total working population of the study area is engaged in agriculture. This picture confirms the fact that the economy of the district is primarily agrarian in character and occupation. Other occupations like trade and commerce, transport, services, manufacturing and processing have comparatively little significance in the occupational pattern of the district.
ix) Area of Land Holdings and their Distribution

According to the latest data available (Agriculture census 2001 there are 329318 farmers in Nagapattinam District having 336533 hectares of land under them. The average land holding is 1.02 hectares. About 72 percent of the holdings are marginal i.e. below one hectare and they account for 24 percent of the total area. Around 15 percent of the farmers are small farmers and their holdings account for 21.3 percent of the total area. On the other hand, holdings, of 2 hectares and above account for only 12.4 percent, whereas, their share in the total area is as high as 54.7 percent.

**TABLE 10**

**LAND HOLDING PATTERN**

<table>
<thead>
<tr>
<th>Farmer Size</th>
<th>Nos.</th>
<th>% to Total</th>
<th>Extent in Ha.</th>
<th>% to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marginal Farmers</td>
<td>238092</td>
<td>72.3</td>
<td>80832</td>
<td>24.0</td>
</tr>
<tr>
<td>Small Farmers</td>
<td>50415</td>
<td>15.3</td>
<td>71656</td>
<td>21.3</td>
</tr>
<tr>
<td>Medium Farmers</td>
<td>27257</td>
<td>8.3</td>
<td>74960</td>
<td>22.3</td>
</tr>
<tr>
<td>Big Farmers</td>
<td>13554</td>
<td>4.1</td>
<td>109085</td>
<td>32.4</td>
</tr>
<tr>
<td>Total</td>
<td>329318</td>
<td>100.00</td>
<td>336533</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: A.C.P. of Nagai District.
x) Land Use Pattern

Land is the most important natural resource for the development of the economy. The economic development of the district largely depends on how its land resources are utilised.

Table 11 reveals that about 75 percent of the total reported area is utilised for agriculture. Net area sown accounts for about 64 percent and current fallows come around 5 percent of the total reported area.

**TABLE 11**

**LAND USE PATTERN**

<table>
<thead>
<tr>
<th>Land Use Classification</th>
<th>Area (Ha)</th>
<th>% to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest</td>
<td>11,023</td>
<td>2.34</td>
</tr>
<tr>
<td>Barren and uncultivable</td>
<td>30,821</td>
<td>6.56</td>
</tr>
<tr>
<td>Land put to Non-Agricultural use</td>
<td>78,581</td>
<td>16.71</td>
</tr>
<tr>
<td>Cultivable Waste</td>
<td>9,264</td>
<td>1.97</td>
</tr>
<tr>
<td>Permanent Pastures</td>
<td>1,768</td>
<td>0.38</td>
</tr>
<tr>
<td>Land under Misc. tree crops</td>
<td>10,436</td>
<td>2.22</td>
</tr>
<tr>
<td>Current fallows</td>
<td>8,276</td>
<td>1.76</td>
</tr>
<tr>
<td>Other fallow lands</td>
<td>21,134</td>
<td>4.49</td>
</tr>
<tr>
<td>Net Area sown</td>
<td>4,70,214</td>
<td>63.57</td>
</tr>
<tr>
<td>Total Area</td>
<td></td>
<td>100.00</td>
</tr>
</tbody>
</table>
xi) Cropping Pattern

Cropping pattern has a significant bearing on development of agriculture. It can be observed from table that the crops in the district were paddy, groundnut, sugarcane and pulses. The percentage of double cropped area to the net area sown was about 74 percent. Resultantly, the cropping intensity of the district was 174 percent. Also the cropping intensity of was about 130 percent i.e the percentage of area under paddy cultivation to the irrigated area. The high cropping intensity pointed out towards a developed agriculture and better availability of irrigation facilities.

### TABLE 12

AREA UNDER CULTIVATION OF DIFFERENT CROPS IN NAGAPATTINAM DISTRICT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Paddy</td>
<td>262550</td>
<td>322556</td>
<td>353999</td>
</tr>
<tr>
<td>(60.7)</td>
<td>(66.6)</td>
<td>(68.1)</td>
<td></td>
</tr>
<tr>
<td>Groundnut</td>
<td>9625</td>
<td>9508</td>
<td>8729</td>
</tr>
<tr>
<td>(2.1)</td>
<td>(2.0)</td>
<td>(1.7)</td>
<td></td>
</tr>
<tr>
<td>Sugarcane</td>
<td>12408</td>
<td>10415</td>
<td>9181</td>
</tr>
<tr>
<td>(2.7)</td>
<td>(2.2)</td>
<td>(1.8)</td>
<td></td>
</tr>
<tr>
<td>Pulses and Others</td>
<td>160942</td>
<td>141535</td>
<td>147780</td>
</tr>
<tr>
<td>(34.5)</td>
<td>(29.2)</td>
<td>(28.4)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>465495</td>
<td>484014</td>
<td>519689</td>
</tr>
<tr>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Records of Lead Bank Office, Nagapattinam.
xii) Transport and Communication

All the important towns and villages of the district are well linked by a good network of roads. The district has a minor port at Nagapattinam. A fairly good communication is effected through post offices, telegraph offices and telephones.

xiii) Crops and the Area Cultivated

In Nagapattinam District, paddy is the principal crop grown throughout the year. The other crops cultivated are sugarcane, groundnut, pulses and others. Table gives the area under cultivation of different crops in District. It is seen from the table that paddy occupies more than 60 percent of the total area under cultivation. Groundnut and sugarcane occupied around 2 percent each of the total cultivation area and pulses and other crops occupy the rest of the area. The area under paddy cultivation in the district had gradually increased by 25.3 percent during the three years; this is because of the three years from climatic condition and water resources available in the area.

It can be seen from table that paddy has been cultivated during all the three seasons of the year, namely Kuruvai, Samba and Thaladi. Samba is the peak season during which more than 50 percent of the area is cultivated.
### TABLE 13

**PADDY CULTIVATION AREA-SEASON WISE**

<table>
<thead>
<tr>
<th>Season</th>
<th>Area (Ha)</th>
<th>% to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuruvai</td>
<td>87,598</td>
<td>24.7</td>
</tr>
<tr>
<td>Samba</td>
<td>1,85,836</td>
<td>52.5</td>
</tr>
<tr>
<td>Thaladi</td>
<td>86,565</td>
<td>22.8</td>
</tr>
<tr>
<td>Total</td>
<td>3,53,999</td>
<td>100.00</td>
</tr>
</tbody>
</table>

xiv) **Fairs and Festivals**

Important fairs and festivals celebrated/organized in the district are Navarathri, Adi Pooram, Avani Moolam, Karthigai, Skandha Sshti, Thula Uthsavam, Vaikasi Brahmothsavam, Valli Kalyanam, Thirukkarthigai, Ahyayana Uthsavam, Chithirai and the floating festival, Mahasivaratri, Panguni Uthiram, 18 days three thavari festival, Wedding of the Lord and his consort on the Sukla Sapthami day, Karthigai Deepam, Dhanur Pooja (Thiruvathirai) Poosam and Pongal.

xv) **Animal Husbandry**

Animal Husbandry is an allied activity of agriculture in this district as well but is could not keep pace with the developmental work undertaken in the field of modern agricultural techniques. Therefore, the cultivators still depend on cattle imported from other neighbouring districts. The livestock found in this district are generally cattle and buffaloes, sheep, goats, pigs.
apart from poultry birds which include fowls and ducks. The district have several artificial insemination centres, and sub-centres, key village blocks, veterinary hospitals and dispensaries which render valuable services for the development of livestock in the district.

xvi) Fishery

Since the district is a coastal region, marine fishing assumes importance. The marine fish catch mainly comprise of eognathics, sharkes, flying fish, chank, cat fish, prawns, silver bellies, crabs, rays and other miscellaneous varieties.

Mechanized boats, catamarans and country canoes are all used for fishing. A fish landing jetty has been constructed at Kodaikanal which caters to the needs of marine fishermen and is the only workshop in this coastal area.

xvii) Industries

The district is deprived of any major industry but it is a flourishing centre of cottage industries and handicrafts alike. The district is equally well known for its pith articles consisting of beautiful of models of Hindu idols, temples, mosques, flower garlands, bouquets, parrots and peacocks. The flower garlands and bouquets are much in demand during Christmas days. Pith is grown on the beds of tanks in Sirkazhi and Mayiladuthurai taluks.
"The making of musical instruments of jack wood like the veena, tambura, the violin, the mirdangam, the table and the kanjara exhibit excellent taste, knowledge and workmanship. The jack wood has special quality for producing musical sounds.

Government has established an industrial training institute at Nagapattinam. This is to promote industrial development in the area. With a view to improve the condition of the weavers, various welfare measures have also been initiated by the State Government like housing schemes, introduction of group insurance etc.

xviii) Trade, Commerce and Export

So far as the sea-borne trade is concerned most of the exports and imports pass through the port of Nagapattinam and only a very small amount of trade is carried on at the others ports.

The following table provides information on important commodities manufactured, exported from and imported in the towns of this district. It also indicates the number of banks available therein:
<table>
<thead>
<tr>
<th>Name of the towns</th>
<th>Most Important Commodities</th>
<th>Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manufactured</td>
<td>Exported</td>
</tr>
<tr>
<td>Kuttalam</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mayiladuthurai</td>
<td>Sarees</td>
<td>Paddy, Rice, Grams</td>
</tr>
<tr>
<td>Nagapattinam U.A:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Akkaraipettai</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ii) Andanappettai</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>iii) Nagapattinam</td>
<td>Steel, Almirah Trunk and other Furniture</td>
<td>Onion</td>
</tr>
<tr>
<td>Sirkazhi</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Thirumullaivasal</td>
<td>-</td>
<td>Paddy</td>
</tr>
<tr>
<td>Vaitheeswarankoil</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vedaranniyam</td>
<td>Salt</td>
<td>Salt</td>
</tr>
</tbody>
</table>

The various studies stated above, as stated earlier are on the social status of Dalits of various parts of this country. The present study is totally a different in the since that this is the first attempt on the Entrepreneurialship of Dalit population. The Dalits in India have taken initiative in entering into independent jobs and entrepreneurship recently for the 15 to 20 years. How for these Dalit entrepreneurs are successful in their attempt to become a viable entrepreneurs has been study in the research work by taking Nagapattinam District of Tamil Nadu. This pioneerial work shall pave way for other researchers to follow suit in this area in other part of our country.
The present study shall be an eye opener for other young Dalit youth to venture themselves entrepreneurship like other community in our country.

**SCOPE OF THE STUDY**

This study is confined to the Dalit entrepreneurs and Self Help Groups (scheduled caste and scheduled tribes in Nagapattinam District). It provides the details of the status and entrepreneurial performance of Dalits and Self Help Groups.

**STATEMENT OF THE PROBLEM**

Human resources, any caste and religion of working age constitute the main strength of economic development of a nation. Dalits form an important segment of the labour force and the economic role played by them can not be isolated form the framework of development and the degree of integration of Dalits in economic development is an indicator of Dalit's upliftment of social and economic status.

The government is, therefore, making planned efforts to inculcate the spirit of enterprise among Dalit's through many incentive and development programmes. These efforts are expected to spin good results with many more Dalits taking up entrepreneurship.

Many research studies had been done on entrepreneurship, but very little has been done on Dalits and Self Help Groups as entrepreneurs. A lot
of data is available on entrepreneurial characteristics and motivations but very little data is available regarding Dalits and Self Help Groups entrepreneurs. Hence, the present study is undertaken the entrepreneurial development of dalits and Self Help Groups and their strength, Weakness, opportunities and threats in Nagapattinam District of Tamil Nadu.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows

1. To explore the economic, educational status of Dalits and Self Help Groups for promoting welfare schemes.

2. To analyse the Growth of Dalit Self Help Groups entrepreneurs in the study area.

3. To study the impact of income, asset and employment generations of dalit Self Help Groups beneficiaries.

4. To know the Dalit Self Help Groups entrepreneurial managerial empowerment.

5. To study Entrepreneurial traits of Dalit and Self Help Groups

6. To analyse the major strength and weakness of dalit entrepreneurs and the environmental opportunities and threats which promote entrepreneurship.
7. To suggest suitable measures for the promotion of Dalit entrepreneurship in Nagapattinam District.

METHODOLOGY

The study is an empirical study based on survey method. Both primary and secondary data have been used in this study. Primary data have been collected from Dalit and Self Help Groups entrepreneurs in Nagapattinam District with the help of an interview schedule. Secondary data have been collected from the books, articles, journals, internet website and unpublished records of the Directorate of Industries and Commerce, Madras, District Industries Centre and TAHDCO in Nagapattinam District.

Sample Design

The sample comprises of Dalit Self Help Groups entrepreneurs who engage themselves in Manufacturing, trading and servicing type of small business. The details of its population of Dalit Self Help Groups entrepreneurs were obtained from TIIC and TAHDCO and annual credit plan report at Nagapattinam District. Out of 11 taluks, five taluks which shows highest number of Dalit Self Help Groups entrepreneurs in the district were selected.
A total of 300 Dalit and 300 Self Help Groups entrepreneurs are taken as sample by adopting the proportionate random sampling method. Total respondents are 600. Manufacturing, trading and service sector are taken as a sample units.

Field work and Data Collection

Field work for this study has been conducted between January 2003 and April 2005. In addition a day-to-day diary has also been maintained to record the respondents’ causal observations, their experiences and opinions about their entrepreneurship. The interview was quilt informal and through natural conversation in Tamil and has recorded by the researcher in Interview schedule. An extra care has been taken to get the accurate response from the respondents by personally explaining to them each and every point in detail.

Period of Study

The data relating to the Dalit and Self Help Groups entrepreneurs of Nagapattinam District has been collected for a period, five years from 2000 to 2005. The reference period of primary data collection is 2003-05.

Frame work of Analysis

In order to examine the income asset and employment generation before and after getting loan, t-test has been carried out.
To examine the variations in monthly income in different sectors of Dalit entrepreneurs, one way ANOVA test was used.

In order to estimate the contribution of beneficiaries to family income, the following form of multiple linear regression model was used.

\[ \log y = \beta_0 + \beta_1 \log X_1 + \beta_2 \log X_2 + U \]  

where,

- \( Y \) - Total family income percent (in rupees)
- \( X_1 \) - Earning of beneficiaries per month (in rupees)
- \( X_2 \) - Other sources of income per month (in rupees)
- \( U \) - Distribution term

\( \beta_0, \beta_1 \) and \( \beta_2 \) are the parameters to be estimated. The above model (3.1) was estimated by method of least squares.

The present study conceptualizes entrepreneurship as a system, therefore, the framework of the study includes self sphere, socio-psycho sphere, resources and support system variables as independent variables and entrepreneurial performance as the dependent variable. The researcher has developed index for the variables, namely family education, education of the respondent and entrepreneurial performance. For other remaining variables,
the researcher has used the developed by Kamaal Sing\(^1\) and Trivedi\(^2\) in their study.

In order to study the relationship between the entrepreneurial sub-system variables and the entrepreneurial performance, path analysis has been used.

SWOT analysis has been used to analyse the strength, weakness, opportunities and Threat of Dalit entrepreneurs.

**LIMITATIONS OF THE STUDY**

This study is a modest beginning on Dalits and Self Help Groups entrepreneurship in Nagapattinam District. No census list of dalits and Self Help Groups entrepreneurs is available. Only beneficiaries under Tamil Nadu Athi Diravida Housing Development Corporation (TAHDCO) have been obtained. The researcher personally and individually contacted the Dalit and Self Help Groups entrepreneurs. It was a Herculean task to make them willing to answer the questions in the schedule. The Dalit and Self


Help Groups entrepreneurs expressed unwilling to answer several questions. However, with great difficulty the responses would be obtained.

Further, the researcher feels that the study is an exhaustive one covering various facts of Dalit and Self Help Groups entrepreneurs in Nagapattinam District. It is a fact that these are scope for further research in the area with more emphasis on each aspect of Dalits and Self Help Groups entrepreneurship.

**SCHEME OF WORK**

This study "Role of Dalit and Self Help Groups Entrepreneurs for Small Business Development in Nagapattinam District – Tamil Nadu" is divided into seven chapters.

Chapter I introduce the subject, imposed names, meaning and definition of entrepreneurs, role of entrepreneurial development, Entrepreneurship in India and Tamil Nadu, Statement of the problem, objectives, methodology, limitations and scheme of work.

**CHAPTER II** ; A REVIEW OF CONCEPTS AND EMPIRICAL STUDIES

**CHAPTER III** ; SCENE OF THE SAMPLE RESPONDENTS

**CHAPTER IV** ; ROLE OF DALIT AND SELF HELP GROUPS ENTREPRENEURS
CHAPTER V : ENTREPRENEURIAL MANAGERIAL EMPOWERMENT

CHAPTER VI : ENTREPRENEURIAL TRAITS

Chapter VII RESUME presents the major findings along with conclusions and suggestions based on the findings.