CHAPTER III

Historical background of entrepreneurship development

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CHAPTER III

HISTORICAL BACKGROUND OF ENTREPRENEURSHIP DEVELOPMENT

This chapter depicts the historical background and theories of entrepreneurship in India, entrepreneurship and economic development, role of entrepreneurship development programmes in the entrepreneurship development.

I. HISTORICAL BACKGROUND AND THEORIES OF ENTREPRENEURSHIP IN INDIA.

3.1 HISTORY OF ENTREPRENEURSHIP IN INDIA

In the historical past, Indian communities consisted of four main castes, viz, the Brahmins, the Kshatriyas, the Vaishyas and the Shoodras. The caste groups were rigidly separated on a functional basis. The Brahmins were the learned men who assisted the Kshatriyas (rulers) in administration and the Shoodras were involved in agricultural occupation. The Vaishya community was engaging in trade and commerce and industrial productive activities. The brief description of entrepreneurship during the past is as follows:

1. The industrial activity was influenced by the caste system.
2. The skill for any enterprise was inherited from ancestors.
3. The trading/mercantile class used to take care of providing forward and backward linkage to craftsmen and skilled artisans.
4. There were no formal organizational units. All family members used to associate themselves in production process of an enterprise.
5. Supply of product was mainly on the basis of demand for the same. The mercantile class used to help in getting orders from buyer and communicate it to the producer.¹

The people were organized in a very simple type of economic and social system, the village was the unit. The entrepreneur was known as artisan. They were divided mainly on the basis
of castes. The Arthasashtra of Kautilya gives the account of industrial activity, manufacture of textiles (separate factories for weaving different types of cloth, cotton, linen, silk etc.), armours, ropes, thongs and straps useful for carts, chariots, manufacture of chariots, coins etc. Artisans were engaged in varied gold, silver and part jewellery, wine manufacturing and agricultural related commercial activities. Later, the study gives an account of the tradesmen. Other industries flourished were woollen industry, metal industry, apparel industry etc.²

3.1.1ENTREPRENEURSHIP DURING PRE-INDEPENDENCE

The artisans, craftsmen and balutedars used to produce various products and provide necessary services. They represented the entrepreneurs. Indian handicrafts, marble carvings, wooden articles, woolen garments, jewellery and textiles attracted the world market. In fact, entrepreneurial culture flourished during the British rule.

India, the land of gold received a setback in the early period of the British rule. The artisans were mercilessly crushed. The flooding of the Indian market with the British goods caused a complete destruction of Indian handicrafts and village industries. The introduction of new system of education negated the value of labour and entrepreneurial activities.

In the process, people developed the employment oriented mentality, entrepreneurial culture was submerged. Risk learning ability and confidence were substituted by complete obedience, creativity and innovativeness were substituted by submissiveness and a blind imitation of the British – India remained an underdeveloped country.

In the last quarter of the 19th century, the Parsis, the Gujaratis and Marwaris initiated in various industrial activities. In the beginning, Parsis initiated in cotton textiles, steel making, the Marwaris in bicycle and automobiles and the Gujaratis in textiles and finance.

They are the proudest entrepreneurial communities in India, symbolizing courage and commonsense, energy and enterprise, aspiration and adventures. They revived the entrepreneurial culture and sowed the seeds of entrepreneurship. A transformation from
trade of manufacturing and services sectors, the seeds of entrepreneurship were sown in the early 1860s.

The industrial activity consisting small and cottage industries in India received a blow during the British regime. But trade and commerce prevailed in India especially in western parts. There were instances in which the entrepreneurs achieved success in opening textile mills at Bombay (Cowasjee Davar 1854) and Ahmedabad (Ranchodlal Chotalal 1861). During 1850-1880 Indian entrepreneurship was extended to textiles, shipping, iron and steel and hydroelectric systems.3

In view of the above, the entrepreneurship alias business in the historical past was run in the form of barter system, that is, exchange of commodities, and now the same thing is followed as business. Commodities were exchanged by means of coins, gold and silver and other metal too. During the course of time, this became precious metal and hence it was exchanged by means of notes made out of paper.

All activities were executed by the people who were divided into four main categories such as Brahmin, Kshatriyas, Vaishyas and Shoodras and each of them were specialized in a specific job. Out of these, the business was conducted by Vaishyas only.

The Britishers started coordinating people of different activities and started the practice of entrepreneurship and that is how the entrepreneurship is born in India.

Mainly, the communities which were engaged in the different types of business were Parsis, Gujaratis and Marwaris. On a larger scale, the same activity was followed by other outstanding communities of different regions and executed the business on a small and medium scale.
3.1.2 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. The government in various industrial policy statements identified the responsibility of the state to promote, assist and develop industries in the national interest. It also explicitly recognized 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 industrial resolutions:

1. To maintain a proper distribution of economic power between private and public sectors;
2. To encourage the tempo of industrialization by spreading entrepreneurship from the existing centres to other cities, towns and villages; and
3. To disseminate the entrepreneurial acumen concentrated in a few dominant communities to a large number of industrially potential people of varied social strata.

To achieve the above objectives, the government laid emphasis in 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 the Directorate of Industries, Financial Corporations, Small-scale Industries Corporations and Small Industries Service Institutions 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 numbers.

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 increased tremendously in their numbers. But they, however, lacked entrepreneurial ability. The fact remains that
even the small entrepreneurship continued to be dominated by the 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 unit 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.

A review of literature regarding entrepreneurial growth in India, thus, leads to conclude that prior to 1850, the manufacturing entrepreneurship was negligible and lying dormant in artisans.

On review of the above, after independence, the Government of India started taking steps of development in each and every field and in specific field of industrial development. Government took notice of expertise of private sectors role in accelerating industrial development. Apart from that government distributed economic power between private and public sector and encouraged industrialization by establishing offices and centres at top to bottom level, that is, town, cities, and villages for enhancing the same. The government planned systematically the industrial development by way of starting the 5-year plan and in each and every 5-year plan certain section of industries were lifted. For making the growth of industries in India, government started a major step for distributing the literature executing workshops and practical training centres to the upcoming industrialist and thereby achieving the goal of the 5-year plan.

3.2 SOCIO-ECONOMIC ORIGINS OF ENTREPRENEURSHIP

The entrepreneurial activity at any time and place is governed by varying combination of socio-economic, psychological, cultural and other factors. The empirical studies have identified the following socio-economic factors:

2. Family background.
3. Level of education.
4. Level of perception.
5. Occupational background.
7. Entry into entrepreneurship.
9. Investment capacity.
10. Ambition/motivation.

The entrepreneurs who launched their enterprises during 60s predominantly came from mercantile and allied background, however, a slight tilt in favour of occupations which traditionally have been unconcerned with entrepreneurial activity, viz, general service man, technicians, business executives, doctors, lawyers and the like was noticeable among entrepreneurs emerging for the first time after independence. The main springs of entrepreneurship have been the traditionally trading castes of Hindu and Jain Banias from Gujarat, Rajasthan and Chettiar of Tamil Nadu. Besides, the new springs of entrepreneurship developed among other communities like Brahmins all over the country, specially the south; Naidu of the south, Patels of Gujarat, Kayasthas of West Bengal, Sikhs, Khatris and Aroras of Punjab making entrepreneurship a widespread phenomenon.

More and more people with high academic attainments started joining the ranks of industrialists, especially the professionals holding qualifications in engineering, law, medicine, cost and chartered accounting. The newer entrepreneurs have a larger proportion of their floatations in their traditional sector, but these professionals have by and large preferred to make their investments in modern sector. The technicians in particular among both old and new entrepreneurs have entered industries in modern sector having a bearing of their academic qualifications. The traditionally trading communities of Hindu and Jain Banias have relied on modern sector more than others. Interestingly, among the regional communities, the South Indians have preferred their promotions in traditional sector more than the Gujaratis and Marwaris have.5

Therefore, the entrepreneurial development is always taking place in accordance with the socio-economic psychological culture and other factors and it is identified as follows. The
development is connected to the living standard of the people staying in the particular vicinity, their culture and other factors affecting. The main stream of business is traditionally being handled by the different communities and different areas and they dominate the business.

Basically, entrepreneur is a person and entrepreneurship is the process. Entrepreneur organizes all the factors of production and manages the purposeful activity for production and distribution of goods and services for society and his main intention is to enhance profit for survival, growth, expansion and diversification of business. Therefore, he is the pillar for economic growth of the nation. The following table 3.1 indicates the development of entrepreneur and term entrepreneurship theory.

Table: 3.1
DEVELOPMENT OF ENTREPRENEUR TERM AND THEORIES OF ENTREPRENEURSHIP

<table>
<thead>
<tr>
<th>Period</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4th BC Kautilya</td>
<td>Most successful enterprise owe to entrepreneurs' ability to work in team work to achieve various goals inspite of ups and downs.</td>
</tr>
<tr>
<td></td>
<td>Capable men, thus, will finally convert the whole idea into an 'amazing balance sheet.' The final leap may come in any manner - a big order, a turnaround client or a big financial investor. But one needs to carry on these trails -- a hundred times.</td>
</tr>
<tr>
<td></td>
<td>The word &quot;entrepreneur&quot; is derived from the French verb <em>entreprendre</em>. It means &quot;to undertake&quot; or go between</td>
</tr>
<tr>
<td>16th Century</td>
<td>In the early 16th century, the French attributed this term to people who organised and/or led military expeditions. All those people who were responsible to find new land were also called &quot;entrepreneurs.&quot;</td>
</tr>
<tr>
<td>Middle Ages:</td>
<td>Actor and person in charge of large-scale production projects.</td>
</tr>
<tr>
<td>17th Century:</td>
<td>Person bearing risks of profit (loss) in a fixed price contract with government.</td>
</tr>
<tr>
<td>1725: Richard Cantillon:</td>
<td>Person bearing risks is different from one supplying capital.</td>
</tr>
<tr>
<td>Year</td>
<td>Name</td>
</tr>
<tr>
<td>------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>1776</td>
<td>Adam Smith</td>
</tr>
<tr>
<td>1797</td>
<td>Beaudoue</td>
</tr>
<tr>
<td>1803</td>
<td>Jean Baptiste Say</td>
</tr>
<tr>
<td>1848</td>
<td>John Stuart Mills</td>
</tr>
<tr>
<td>1871</td>
<td>Carl Menger: (1840-1921)</td>
</tr>
<tr>
<td>1876</td>
<td>Francis Walker</td>
</tr>
<tr>
<td>1921</td>
<td>Frank H. Knight</td>
</tr>
<tr>
<td>1934</td>
<td>Joseph Alois Schumpeter: (1883-1950)</td>
</tr>
<tr>
<td>1952</td>
<td>Hoselitz Bert F.:</td>
</tr>
<tr>
<td>1958</td>
<td>Everett E. Hesssen</td>
</tr>
<tr>
<td>1959</td>
<td>Cole Arthur H.:</td>
</tr>
<tr>
<td>1961</td>
<td>David C.</td>
</tr>
<tr>
<td>Year</td>
<td>Author</td>
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<tr>
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<td>---------------------------------</td>
</tr>
<tr>
<td>1964</td>
<td>Peter Drucker</td>
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<td></td>
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</tr>
<tr>
<td>1975</td>
<td>Albert Shapero</td>
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<tr>
<td>1980</td>
<td>Karl H. Vesper</td>
</tr>
<tr>
<td>1982</td>
<td>Mark Casson</td>
</tr>
<tr>
<td>1983</td>
<td>Gifford Pinchot</td>
</tr>
<tr>
<td>1984</td>
<td>Robert C. Ronstadt</td>
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<tr>
<td>1985</td>
<td>Robert D. Hisrich</td>
</tr>
<tr>
<td>1985</td>
<td>Gartner W.</td>
</tr>
<tr>
<td>1989</td>
<td>Stevenson H., Roberts M. and H. Grousbeck</td>
</tr>
<tr>
<td>1990</td>
<td>Vasant Desai</td>
</tr>
</tbody>
</table>
and an integrated man with outstanding leadership qualities. With a desire to excel, the entrepreneur gives top priority to Research and Development. He always works for the well-being of the society. More importantly, entrepreneurial activities encompasses all fields/sectors and fosters a spirit of enterprise for the welfare of mankind.

<table>
<thead>
<tr>
<th>2004: Nandan Nilekani:</th>
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<tbody>
<tr>
<td>In essence, entrepreneurship is about dreaming the impossible and helping followers to achieve the same. Moreover, the dream has to be built on sound and context-invariant values to sustain the enthusiasm and energy of people over a long time. Further, set direction to create a shared vision, encourage execution excellence, embrace inclusive meritocracy to build a globally best-in-class leadership team that delivers outstanding business value in every customer engagement.</td>
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<table>
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<tr>
<th>2006: N.R. Narayana Murthy:</th>
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<tbody>
<tr>
<td>Entrepreneurship is an agent of change. Entrepreneurship built and sustained on the true set of value system is ready for the marathon race in the global economy. Innovation productivity, fairness, frankness, ethics, conscience and transparency are the core values of entrepreneurship.</td>
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<tr>
<th>2007: Richard Strozzi-Heckler:</th>
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<tbody>
<tr>
<td>Entrepreneurship is a practice that can be developed and trained for enterprise. An entrepreneur methodically builds fluency and muscle through the regular exercise of disciplines that require simultaneous physical and mental effort.</td>
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<tr>
<th>2007: Mansi Tiwari:</th>
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<tbody>
<tr>
<td>As technology changes and global connectivity improves, entrepreneurship means that the entrepreneur not only has to ensure profits for all shareholders, he has to fix problems, tap new markets, bring cutting edge ideas to the table, and lead cross-cultural teams. The person has to be passionate, empathetic, sharp and inspirational at the same time. Entrepreneurship has taken on new meaning and greater challenges in the last decades. The real skill is learning how to influence through commitment, loyalty and trust, rather than through mere compliance or, at worst, coercion.</td>
</tr>
</tbody>
</table>

3.3 THEORIES OF ENTREPRENEURSHIP

The concept of entrepreneurship is as old as civilization while the theories of entrepreneurship have been evolved from over a period of more than two centuries. Theories of entrepreneurship can broadly be classified into four categories:

1. The economist's view;
2. The sociologist's view;
3. The psychologist's view;
4. The anthropologist's view.

3.3.1 ECONOMIC THEORY

Economists have done little work on entrepreneurship and, therefore, have tended to be in minority. However, it can be said that economic theory for entrepreneurship centers around Joseph Schumpeter. The economic theory developed by him is versatile and multidisciplinary. According to him, all problems in economic theory could be solved with the help of equilibrium theory. In his book entitled, 'The Theory of Economic Development' (1911), he developed an economic theory stating that truly all the changes in the economy are set off by the entrepreneur and then those changes slowly work themselves through the economic system, in the form of a business cycle.

Other economists assert that entrepreneurship and economic growth will take place in those situations where particular economic conditions are most favourable.

3.3.2 SOCIOLOGICAL THEORY

Sociologists suggest that entrepreneurship can be conceptualized as a social movement and entrepreneurs exist not only in the economy but in other spheres of society as well. S.M. Lipset suggests that cultural values deeply affect entrepreneurship and the level of economic development.
According to Hoselitz, the approach which emphasizes the theory of deviance assumes that those who introduce change must be deviants since they reject the traditional elite’s way of doing things.

Hoselitz says that culturally marginal groups promote entrepreneurship and economic development. Such groups, because of their ambiguous position are peculiarly suited to make creative adjustments and thereby develop genuine innovations.

As recommended by Robert Park, the creative role of a deviant, or the outsider, has in past been conceptualized by the term, “Marginal Man”, who for various reasons is potentially outside the culture in which he is living, is less socially integrated in the structures which maintain conformity, and is therefore not so committed to the established value of larger order. Hence men of this sort are more likely to be receptive to possibilities for change.

According to Cochran, an entrepreneur represents society’s model personality. His performance depends upon his own attitudes towards his occupation, the role expectations of sanctioning groups and the occupational requirements of the job. Society’s values are the most important determinant of attitudes and role expectations.

Everett E. Hagen in his book “On The Theory of Social Change” (1962) argues that people who have grown up in certain minorities develop a much stronger psychological propensity for entrepreneurship than who have not. Hagen’s theory may well contain a grain of truth but his approach is discredited by others. Hagen also concluded that entrepreneurs have emerged from certain communities and castes.

3.3.3 PSYCHOLOGICAL THEORY

Psychological theory of entrepreneurship has a fair image status among social scientists who study entrepreneurship.
Joseph Schumpeter argues that the entrepreneur is mainly motivated and driven by three things:
1. 'the dream and the will to find a private kingdom';
2. 'the joy of creating';
3. 'the will to conquer'.

J. Schumpeter's formulation can be translated as:
1. 'the desire for power and independence';
2. 'the satisfaction of getting things done';
3. 'the will to succeed.'

According to him, money is not what ultimately motivates the entrepreneur 'Entrepreneurs'.

3.3.4 ANTHROPOLOGICAL THEORY

Fredrick Barth made his first attempt to develop an anthropological theory of entrepreneurship. According to Barth, entrepreneurship has essentially to do with connecting two spheres in the society, between which there exists a difference in value. Something which is cheap in one sphere, may be expensive in another sphere. Barth, one of the leading anthropologists of the world, states that entrepreneurial behaviour means to connect two different spheres in the society, between which there is a huge discrepancy in value.6

In nutshell, the four theories of entrepreneurship were derived as far back as two centuries ago. According to economic theory there is little effect on entrepreneurship. This theory asserts that entrepreneurship and economic growth takes place when the conditions are favourable. The Sociological theory suggests entrepreneurship as a social movement. According to S.M. Lipset cultural values affect entrepreneurship and level of economic development. The Psychological theory states that the entrepreneurship altogether has a fair impression among social scientists. Mainly the development of entrepreneurship in any locality by anybody tends to be the dream of a particular person for developing a particular area, particular product to be manufactured by him and thereby lifting the standard of living.
of that area. So, the success is achieved in two fronts, first is achieving economical target and benefit set for the project, and secondly by developing that area. By achieving success, he fulfills his dream and derives great satisfaction from the product he has developed. The best example is of Ratan Tata’s Nano car project for middle class and lower middle class. This example supports the arguments of Joseph Schumpeter. In the Anthropological theory, Mr. Frederick Barth enumerates that entrepreneurial behaviour means to connect the different spheres of society between which there is huge discrepancy in value.

II ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT

Entrepreneurship refers to a process of action an entrepreneur (person) undertakes to establish an enterprise. It is a creative and innovative response to the environment. Entrepreneurship is a cycle of actions to further the interest of the entrepreneurs. Entrepreneurship is the composite skill, the resultant mix of many qualities and traits. It involves taking of risk, making the necessary investment and the ability to put other factors of production (land, labour, capital) into productive use through scientific and technological methods for creating wealth for an individual and economy. Entrepreneurship, perhaps lies more in the ability to maximize resources.7

One of the qualities of entrepreneurship is the ability to discover an investment opportunity and to organize an enterprise thereby contributing to real economic growth. It involves taking risks and making the necessary investment under conditions of uncertainty and innovating, planning and taking decisions so as to increase production in agriculture, business, and industry etc.8

J. A Schumpeter defines entrepreneurship as “Entrepreneurship is based on purposeful and systematic innovation. It includes not only the individual business man, but also company directors and managers, who actually carry on innovative function.”9
Thus, entrepreneurship is a purposeful activity. Its main intention is to enhance profit. Schumpeter has emphasized on innovation. Innovation process involved new product, method, market by which the organization can get competitive benefit in the market.

3.4 CHARACTERISTICS OF ENTREPRENEURSHIP

1. **Ability to create enterprise**: Entrepreneurship is primarily an economic activity because it involves creation and operation of an enterprise. It is basically concerned with satisfying the need of customer with the help of production and distribution of goods and services.

2. **Organizing function**: An entrepreneur brings together various factors of production for an economic use. He coordinates and controls the factors of production, efforts to use the persons engaged in his enterprise.

3. **Innovation**: Entrepreneurship is an automatic spontaneous and creative response to changes in the environment. It involves innovation of something new to cause dynamic change and spectacular success in the economy and create conditions for growth of the economy.

4. **Risk bearing capacity**: Risk is an inherent and inseparable element of entrepreneurship. He assumes the uncertainty of future. Entrepreneur’s guarantees rent to the landlord, wages to employees and interest to the investors in the hope of earning more than the expenses.

5. **Managerial and leadership functions**: An industrial entrepreneur must have additional personality traits such as managerial and leadership skills. These qualities show predominant orientation in the direction of productivity, working relation and creative integration along with desire to make profit. Entrepreneurship demands tactful handling of risk and uncertainties because new commodity and its acceptability is uncertain.

6. **Gap filling**: The gap filling between human needs and the available products and services lead to entrepreneurship. An entrepreneur identifies the gap and takes necessary corrective measures to fill the gap to achieve his action-oriented motive in the enterprise as an entrepreneur with the help of entrepreneurship process.
In this context, entrepreneurship basically is a purposeful activity to enhance profit with the help of production and distribution of goods and service to customers for their satisfaction. Due to liberalization, privatization and globalization, competition has enhanced. To face the competition, innovation is essential not in production department, but also in all the functional areas such as purchase, marketing, finance and HRD. For any kind of venture, risk is part and parcel and that is why he must be capable or must have proper strategy to manage the situation whenever it arises.

3.5 ENTREPRENEURIAL PROCESS

Entrepreneurial process is needed when an entrepreneur starts and manages his entrepreneurial (business) venture. The components that are involved in the entrepreneurial process are enumerated below:

1. **Entrepreneur**: The process begins with the entrepreneur who makes a conscious decision to launch a venture. Certain qualities are required to get success in his project for entrepreneur. He must be willing to take moderate risks. He should be high in achievement. He must have drive to get more done in less time.

2. **Context**: The word context includes the realities of new economy, society's laws and regulations. These compose the legal environment and the realities of the changing world of word. They determine the "rules" of the game and what decisions and actions are likely to meet the success.

3. **Opportunity**: Opportunity is an important aspect while going to establish a venture. Several opportunities are available to an entrepreneur. Some opportunities have growth prospects; however, some are not real opportunities with high potentials. Entrepreneur makes search for profitable ones and then selects an attractive business opportunity.

4. **Venture**: Once entrepreneurs have explored the entrepreneurial context and identified opportunities and possible competitive advantages, they must look at the issue involved with actually bringing their entrepreneurial venture to life. Therefore, next step in entrepreneurial process is starting the venture. Researching the feasibility of the venture, planning the venture, organizing the venture and launching the venture are included in this phase.
5. **Resources:** Financial, physical and managerial resources must be collected to launch the venture. The venture must not be under-capitalized when launched. Venture capital is required at three stages – (a) ‘seed’ money to finance launching of an enterprise, (b) ‘venture’ funds to carry the company and (c) ‘growth’ capital for major expansion of the company.

6. **Management:** The task managing the venture is performed by managing process, managing people and managing growth. This requires the talents of leading, decision making, executing and controlling the activities of an organization. Hence, managerial skill is an important input in the process.

7. **Strategy:** It is the competitive strategy that the entrepreneurs choose. The strategy must be right and sound; otherwise, it can affect the potential for success. Competitive strategy seeks to achieve growth in sales, increase in market share or maximize profits. It ensures a competitively superior fit between an organization and its changing environments. The entrepreneur must think over ‘the pattern of decisions a firm makes.’ He must note that strategy is the product of actions and results, not just a good intention.\(^\text{11}\)

In view of this, one thing is clear that for any entrepreneurial activity opportunity is important. Entrepreneurs must analyze the opportunity’s plus and minus points minutely, finally select the best one which benefitted to them. Considering the current business scenario to manage the venture, he must raise sufficient fund and other physical and human resources. To manage the resources, proper management is necessary and that is why entrepreneur should have the knowledge of managerial skills to manage the business activity smoothly and effectively. Finally, prosperity depends upon strategy. Without proper strategy to enhance profit, market share, one cannot imagine prosperity. Competitive strategy is indispensible, right blending of 4Ps, i.e., product, price, place and promotion is imperative.

### 3.6 ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

The role of entrepreneurship in economic development involves more than just increasing the per capita output and income; it involves initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output, which allows more wealth to be divided by the various participants. What in an area facilitates the
needed change and development? One theory of economic growth depicts innovations as the key, not only in developing new products (or services) for the market, but also in stimulating investment interest in the new ventures being created. This new investment works on both the demand and the supply sides of the growth equation; the new capital created expands the capacity for growth (supply side), and the resultant new spending utilizes the new capacity and output (demand side).

In spite of the importance of investment and innovation in the economic development of an area, there is still a lack of understanding of the product evolution process. This is the process through which innovation develops and commercializes through entrepreneurial activity, which in turn stimulates economic growth.12

According to the classical economists, an entrepreneur or an organizer acts merely as an agency for bringing together the various agents of production and undertaking to remunerate them for the work done. But the modern economists recognize the dynamic role that an entrepreneur plays in promoting the economic growth of the country. This was specially underlined by Schumpeter who thought that the entrepreneur played a key role in economic development. Even Karl Marx had emphasized the fact that in trying to widen the profit margin by adopting new technology and improved methods of production, the entrepreneur in fact makes an important contribution to economic growth.

The entrepreneur earns profit by ensuring that the value of the final product exceeds the sum of the remuneration of the factors of production, i.e., the value of the means of production. This surplus constitutes his profit. It is the entrepreneur’s main aim to enlarge this surplus or profit. Obviously, the greater the surplus, the greater is the entrepreneurial activity and greater the entrepreneurial activity, the faster is the rate at which the economy grows. The entrepreneur tries to maximize his profit by making innovations, i.e. by bring out a new product, tapping a new market, tapping new sources of new materials and by adopting an optimum or most economical combination of the factors of production. In all these ways, while he succeeds in making higher profits for himself, he is making a significant contribution to an increase in the national income. We can imagine that the cumulative effect
of the individual activities of the daring and dynamic entrepreneurs is to accelerate the process of economic growth.\textsuperscript{13}

Entrepreneurs are the keys to the creation of new enterprises that energize the economy and rejuvenate the established enterprises that make up the economic structure. Entrepreneurs initiate and sustain the process of economic development in the following ways:

1. **Capital formation**: Entrepreneurs mobilize the idle savings of the public through the issue of industrial securities. Investment of public savings in industry results in productive utilization of national resources. Rate of capital formation increases which is essential for rapid economic growth, thus an entrepreneur is the creator of wealth.

2. **Improvement in per capita income**: Entrepreneur locate and exploit opportunities, they convert the latent and idle resources like land, labour and capital with national income and wealth in the form of goods and services, they help to increase per capita income in the country, which are important yardstick for measuring economic growth.

3. **Generation of employment**: Entrepreneur generates employment both directly and indirectly. Directly, self-employment as an entrepreneur offers the best way for independent and honourable life. Indirectly by setting up large and small business units they offer jobs to millions. By this way, entrepreneurs solved the unemployment problem in the country.

4. **Balanced regional development**: Entrepreneurs in the public and private sector help to remove regional disparities in economic development. They set up industries in backward areas to avail the various concession and subsidies offered by the central and state governments. Public sector steel plants and private sector industries by Modi’s, Tata’s, Birla’s and other have put the hitherto unknown places on the international park.

5. **Improvement in living standards**: Entrepreneurs set up industries which remove scarcity of essential commodities and introduce new products. Production of goods on mass scale and manufacture of handicrafts etc in the small scale sector help to improve the standard of life of a common man. These offer goods at lower costs and increase variety in consumption.

6. **Economic independence**: Entrepreneurship is essential for national self reliance. Industrialist help to manufacture indigenous substitutes to hitherto imported products thereby reducing dependence on foreign countries. Businessmen also export goods and services on a
large scale and thereby earn the scarce foreign exchange for the country. Such import substitution and export promotion help to ensure the economic independence of the country without which political independence has little meaning.

7. **Backward and forward linkages**: An entrepreneur initiates change which has a chain reaction. Setting up of an enterprise has several backward and forward linkages, for example, the establishment of a steel plant generates several ancillary units and expands the demand of iron ore, coal etc., these are backward linkages. By increasing the supply of steels, the plant facilitates the growth of machine building, tube making, utensil manufacturing and such other units are the forward linkages, thus entrepreneurial behavior is critical to the long term validity of every economy.

8. **Growth of entrepreneurs**: In terms of benefiting the people, the development of small and medium scale industries and business offered many advantages. Most important perhaps aimed at the mounting unemployment are the small and medium enterprise, which generate more jobs and often use labour intensive methods of production. Industries and businesses of smaller size also work towards promoting better income distribution and development of entrepreneurship in addition to broader benefits as rural industrialization and increased export earnings. 14

9. **Industrialization and economic development**: In the development of an underdeveloped economy, there is really no conflict between agricultural and industrial development. Improvement in agriculture cannot proceed beyond a point unless the surplus working force on the land is progressively diverted to industries and services. Similarly, industrial development itself cannot advance sufficiently without a large increase in the supply of food necessary to maintain the diversified population and of the raw materials needed to enable industries to expand production. The fact that the productivity of labour in industry is much higher than in agriculture also points to the need for rapid industrial development. Moreover, in an underdeveloped country, the surpluses created in the industrial section are likely to be available for investment relatively more easily than surpluses in the agricultural sector. The pattern of industrialization to be adopted, that is, the relative emphasis on capital goods industries and consumer goods industries and the degree of capital intensiveness in different lines of industry has, of course, to be decided in the light of several technical, economic and social factors. But there is no doubt that over a period the
desired rate of economic progress will necessitate a rapid diversification of the occupational structure through development of industry, together with trade and transport.\textsuperscript{15}

Industrialization accelerated economic growth, increases national income, bring about structural changes in the economy, induces social changes and promotes entrepreneurship.

The motives or objectives of industrialization are:

- To promote economic development;
- To increase employment;
- To increase levels of income;
- To strengthen foreign trade;
- To develop strategic industries;
- To safeguard defence requirements;
- To stimulate development of other sectors;
- To promote entrepreneurship;
- To strengthen the social fabric;
- To effect structural changes in the economy.\textsuperscript{16}

To annotate on this, the role of entrepreneur in economic development is crucial. He raises funds and other physical and human resources to start the business activity, i.e., production and distribution of goods and services to community. Without the initiative of creative entrepreneur, it is impossible for community to consume different types of goods and services. While managing activities, entrepreneur generates gainful employment opportunities for community to enhance their economical and social status. In respect of regional development, he helps to remove regional disparities in economic development. Due to government amenities like concession, subsidy, low taxation policy, he sets up industries in rural or backward areas and with the help of his initiative regional development takes place. According to the classical economists, entrepreneur is an agency who brings all the factors of production and he remunerates them for their work done and enhances profit for economic and social development.
Modern economist recognizes the dynamic role of entrepreneur. The role of entrepreneur is very crucial for economic growth of the country. Considering the present business environment, competitors are constantly changing in 4Ps such as product, price, place and promotion. Due to impact of medias, today’s customer expectations are continuously changing. They want new and better goods and services and government policy is constantly changing.

Considering the dynamic nature of business environment, dynamic entrepreneur take a proactive decision regarding different types of activities as a result he gets or enhance profit for survival and growth of his business activities.

According to Karl Marx, he has emphasized on new technology and improved method of production because due to new technology quality improvement and cost of production per unit should be reasonable; thus less cost of production per unit enable entrepreneurs to charge reasonable price to customers. Due to reasonable price, community support become possible for business activities. Hence due to new technique and improved methods of production, he gets competitive advantage at market place. In fact, the new technologies are better used by small scale enterprises. Hence, in economic growth, small enterprises have unique and significant role to play.

3.7 SMALL ENTERPRISE AND ECONOMIC GROWTH
It is becoming more evident that small enterprise has become an engine of economic growth. Besides, it creates employment opportunities at a low cost and carries forward the national artistic heritage. Empirical evidence suggests the following:
(1) More new jobs are being created by small enterprises than by the large enterprises.
(2) Newer technologies can be utilized by small as well as large firms and perhaps better utilized by small firms because such firms require much less capital with shorter pay back periods, are less dedicated to single-purpose processing and can produce a wide range of products than can firms with the older, more traditionally known technologies.
(3) Taxes and “red tape” are critical problems confronting the small firms that are unable to get working capital loans considered most crucial.
(4) The cost of complying with government requirements is much higher per rupee of sales for the small firm than for the large firm although the compliance burden varies significantly among industries.

(5) Employment legislation in general works adversely against the small firm, in particular in the employees selection process.

(6) Taxation has had a greater impact on the smaller than on the larger firm, where as empirical information is not yet available concerning the impact of the 1990-91 tax law changes.

(7) The most important means of capital formation for small enterprise is believed to be through tax relief.

(8) Small firms tend to receive proportionately less than large firms in loan money's available from commercial banks.

(9) Although small firms represent the greatest potential for economic growth, this sector is not receiving its share of the funds available for functioning economic growth.

(10) Industry innovation rates fall as the level of firm concentration rises, and the percentage of an industry that is unionized is negatively related to innovative activity.

(11) Small enterprises tend to have higher innovation rates in relation to increases in skill levels of labour and research and development intensity than do large enterprises.17

Empirical evidence indicates some positive and negative aspects of small enterprises. Positive aspects play a very crucial role for socio-economic development of the country. It creates large scale employment opportunities for the community to enhance their standard of living. Now small scales are also using new technology which is beneficial to both the parties, entrepreneur and customer. Due to new technology, quality improvement and reduction in cost of production per unit can be achieved. Due to less cost of production, he will charge reasonable price to customers. Hence, this sector presents the greatest potential for economic growth. In the same way, negative aspects are obstacles confronted by small enterprises in the development of entrepreneurial activity.
III ROLE OF ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES IN ENTREPRENEURSHIP DEVELOPMENT

3.8 INTRODUCTION:

In order to accomplish overall economic development of the country, EDPs role is very significant. Because every person has certain traits of an entrepreneur, through EDP such traits are improved. In training, information is given to potential entrepreneurs in respect of role of entrepreneur for economic and social development, his behaviour, institutional facilities and support to business activities from different institution. In addition to this, they invite successful entrepreneurs to address trainees. They share their experiences which aids the trainees to develop their self confidence and positive attitude towards entrepreneurship.

3.9 DEFINITIONS OF EDPs: The main definitions are as under:

- *Small Industries Extension and Training Institute (SIET 1974)*, now National Institute of Small Industry Extension Training (NISIET), Hyderabad defined EDP as "an attempt to develop a person as entrepreneur through structural training. The main purpose of such entrepreneurship development programme is to widen the base of entrepreneurship by development achievement motivation and entrepreneurial skills among the less privileged sections of the society."\(^{18}\)

- *According to N.P. Singh (1985)*, "Entrepreneurship Development Programme is designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. It is necessary to promote this understanding of motives and their impact on entrepreneurial values and behaviour for the purpose."\(^{19}\)

Thus, EDPs purpose is to impart entrepreneurial skills, knowledge, caliber which is essential to commence and manage the business activity.
3.10 OBJECTIVES OF ENTREPRENEURSHIP DEVELOPMENT PROGRAMS:
1. Analyze the environmental set up relating to small industry and small business.
2. Selection of product and project.
3. Develop and strengthen entrepreneurial qualities.
4. Understand procedure of small-scale industries.
5. Develop wide vision about the business.
6. Develop passion for integrity and honesty.
7. Understand the need of entrepreneurial discipline.
8. To accelerate the process of entrepreneurship development ensuring its impact throughout the country and among all strata of the society.
9. To help/support an affiliate institution/origin in carrying out training and other ED related activities with greater success.
10. To evolve standardized materials and processes of selection, training, support and sustenance to potential entrepreneurs.
11. To provide vital information support trainers, promoters and entrepreneurs by organizing research and documentation relevant to ED.
12. To identify, train and assist potential entrepreneurs for setting up enterprise, self employment ventures in small industries including services and small business mainly through sponsored EDPs.
13. To provide national and international forums for interaction and exchange of experiences helpful for policy formulation and modification at various levels.²⁹

Thus, the objectives of EDP indicate that the institute select right potential entrepreneurs for training, impart right training, right assistance and encouragement to them to start their own small business for self-employment and finally self-employment create job opportunities to other members of the society.

3.11 IMPORTANCE OF ENTREPRENEURSHIP DEVELOPMENT PROGRAMME

EDP has become extremely important in achieving goals of all round development in the country. With reference to India, the importance of EDP can be discussed as below:
1. For rapid industrial development.
Entrepreneurs and entrepreneurship is base for industrial and economic development. EDP makes entrepreneurs for creation of entrepreneurship environment. In India, in every five year more and more amount is allotted for entrepreneurship development. After freedom, India has shown rapid industrial and economic development. This is only due to EDP. Because of EDP, now a days, entrepreneurs are increasing in engineering, chemical, electrical, agriculture industries etc., i.e. to say that EDP plays a crucial role for industrial and economic development.

2. To remove or reduce regional industrial imbalance.
In industrial backward zone, through EDP, qualities of entrepreneurship can be developed. Indian government has designed incentive plans in its industrial policy. In such industrial backward area, EDP arranges various training programs and makes the individual aware about the government rule and regulation regarding the industrial policy, incentives and entrepreneurial opportunities.

3. Creation of suitable industrial environment for rapid economic development.
For creation of industrial and entrepreneurial environment, various institutions have to give their contribution, institutions like – CED, EDI, IDBI, IFCI, SFC, DIC, SISI etc. EDPs are arranged in rural, semi-urban and urban areas, so that the awareness can be spread all over about the entrepreneurship environment, support system through various publication of EDP.

4. Optimum utilization of available local resources.
In India, every state has specific types of resources available for production purpose. If such resources are utilized for production purpose, new opportunities for local entrepreneurship development and local employment can be created which lead towards rapid industrial and economic development.

5. Helps in reducing unemployment and poverty problems.
India is facing unemployment and poverty problems since independence. So, government has designed various programs viz. rural development program, Prime Minister Rozgar Yojana (PMRY) for the removal of this unemployment and poverty problem. By arranging EDP for educated and unemployed individual they can be trained for self-employment and entrepreneurs, self-employment can also create employment opportunities for other.
6. **To protect entrepreneurs from industrial monopoly.**
Some large industrial units have created monopoly conditions in their area. So, government has been forced to reserve some goods and services for the small-scale industries. Thus due to such decentralization, small entrepreneurs can be protected from industrial monopoly of large-scale industries.

7. **New sources of income for Government.**
For the arrangement of EDP, central and state government has to spent large amount. But government also gets income tax by medium of venture of new entrepreneurs. Some export-oriented industrial units help government in earning of foreign exchange.

8. **Progress and expansion of social wealth.**
Because of growth of industrialization in rural areas, living standards of rural areas have remarkably changed. Government's special schemes for rural wealth have been reached to actual rural areas by EDP. EDP helps to divert unorganized and hidden youth of various areas towards planned industrialization.

9. **EDP is vehicle for social-economic revolution.**
EDP is designed for the various classes of the society. In rural, semi-urban and urban areas, with a view to direct woman towards self-employment and freedom, special EDPs are designed for SC, ST, Ex-Servicemen, Women, Physically handicapped etc.

10. **To develop and upgrade managerial skill.**
EDP is designed and implemented to develop entrepreneurial opportunities for potential entrepreneurs as well as to upgrade managerial skills for the existing entrepreneurs.21

To attain the overall development of the nation, EDP plays a very significant role. Due to EDP training to potential entrepreneurs, they create awareness in respect of government concessions, subsidy, taxation policies, and institutional support to them. Overall effect of EDP program is that they should take decision to start the new enterprise which is necessary to overcome unemployment problem.
3.12 SELECTION CRITERIA FOR THE TARGET GROUP FOR CONDUCTING EDPs.

Entrepreneurs are born and as well as they are trained and developed. Entrepreneurial potential is detected through the following stages and selected persons are trained and developed as entrepreneurs.

Stage 1. Application form assessment: This ensures that the applicants belong to the target definition prepared for the particular EDP.

Stage 2. Behavioural tests: The applicants, who are prima facie qualified are called for the written test which consist of following behavioural tests.

(i) Thermatic Appreciation Test: In this test, the participants are shown few pictures and are asked to write stories based on the same using their imagination. This helps in assuming their skill for achievement and influencing others.

(ii) Who am I? (Self-report): In this test, the applicants are asked to write about their experiences, achievements, strengths and weaknesses. This helps in measuring their personal efficiency level. A detailed scoring gives an idea about the candidate regarding initiative, problem solving, resource awareness and clarity of goal.

(iii) Sentence Completion test: In this test, multiple choices are given to complete the sentence. The choices of respondents reveal their individual behavioural pattern towards money, security, independence, achievement/risk orientation, initiative and fear of failure.

(iv) Paired Comparison test: In this test, number of pairs of statements are given and applicants have to select any one of the two statements. This again aims at measuring certain traits indicating the degree of achievement motivation in a participant.

The above tests have been designed by E.D.I.I.

Stage 3. Personal Interview: A panel of experts comprising of members from financial institutions, industries management experts and few successful entrepreneurs is used for this purpose. The objective is to locate the entrepreneurial skill by asking them suitable questions.
Thus, different institutes are conducting EDP for potential entrepreneurs. While selecting entrepreneurs, they conduct different tests, they judge the traits of the person and finally they arrange personal interview through experts who are concerned with business activities. Different experts judge the ability of the candidate and finally they select the potential entrepreneurs for EDP programme.

3.13 COURSE CONTENTS AND CURRICULUM OF EDPs:

The course contents of an EDP are selected in line with objectives of the EDPs. The EDP training programme is usually for six weeks' duration. It consists of the following six inputs.

1. General Introduction to Entrepreneurship: First of all, the participants are exposed to a general knowledge of entrepreneurship such as factors affecting small-scale industries, the role of entrepreneurs in economic development, entrepreneurial behaviour, and the facilities available for establishing small-scale enterprises.

2. Motivation training: The training inputs under this aim at inducing and developing the need for achievement among the participants. This is, in fact, a crucial input of entrepreneurship training. Efforts are made to inject confidence and positive attitude and behaviour among the participants towards business. It ultimately tries to make the participants start their own business enterprise after the completion of the training programme. In order to further motivate the participants, sometimes successful entrepreneurs are also invited to speak about their experiences in setting up and running a business.

3. Management Skills: Running a business, whether large or small requires the managerial skills. Since a small entrepreneur cannot employ management professionals/experts to manage his/her business skills, he/she needs to be imparted basic and essential managerial skills in the different functional areas of management like finance, marketing, human resource, and production. Knowledge of managerial skills enables an entrepreneur to run his/her enterprise smoothly and successfully. That is why the saying goes that "one man control is the best in the world (of business) if the man is big enough to control (manage) everything."
4. **Support System and Procedure:** The participants also need to be exposed to the support available from different institutions and agencies for setting up and running small-scale enterprises. This is followed by acquainting them with procedure for approaching them, applying and obtaining support from them.

5. **Fundamentals of Project Feasibility Study:** Under this input, the participants are provided guidelines on the effective analysis of feasibility or viability of the particular project relating to marketing, organization, technical, financial, and social aspects of the project. Knowledge is also given how to prepare the "Project" or "Feasibility Report" for certain products.

6. **Plant Visits:** In order to familiarize the participants with real life situations in small business, plant visits are also arranged. Such trips help the participants know more about an entrepreneur's behaviour, personality, thoughts, and aspirations. These influence him/her to behave accordingly to run his/her enterprise smoothly and successfully.\(^ {23} \)

In view of the above, the syllabus which is framed by the Institutes for potential entrepreneurs should be reliable to fulfill the need and requirements of new entrepreneurs to commence their small business activities.

For socio-economic development of the nation, government has established numerous institutes to give training and development to entrepreneurs in order to improve their skills, knowledge, caliber and attitude. Important institutes are given below:

(i) **The National Institute for Entrepreneurship and Small Business Development (NIESBUD):** NIESBUD was established in 1983 by the Ministry of Industry (now Ministry of Small-Scale Industries), Govt. of India as an apex body for coordinating and overseeing the activities of various institutions/agencies engaged in Entrepreneurship Development particularly in the area of small industry and small business. The Institute which is registered as a society under Govt. of India Societies Act (XXI of 1860) started functioning from 6\(^ {th} \) July, 1983.

   Major activities of the Institute are:

   - Evolving effective training strategies and methodology.
• Standardizing model syllabi for training various target groups.
• Formulating scientific selection procedure.
• Developing training aids, manuals and tools.
• Facilitating and supporting Central/State/Other agencies in organizing entrepreneurship development programmes.
• Conducting training programs for promoters, trainers and entrepreneurs.
• Understanding research and exchange experiences for development and growth of entrepreneurship globally. The Institute is actively involved in creating a climate conducive to emergence of entrepreneurship.

The trainings conducted by the Institute include:
• Training of trainers/promoters.
• Accreditation programme for entrepreneurial motivation trainers.
• Trainers' training programme for enterprise launching and management.
• Trainers/Promoters programme for supporting organizations such as SISIs, DICs, Development Corporations etc.
• Promotion programme of small business.
• Entrepreneurship orientation programme for HODs and Senior Executives.
• Evolves standardized material and research publications.24

(ii) National Institute of Small Industry Extension Training (NISIET): NISIET since its inception in 1960 by the Government of India, has taken gigantic strides to become the premier institution for the promotion, development and modernization of the SME sector. An autonomous arm of the Ministry of Small-Scale Industries (SSI), the Institute strives to achieve its avowed objectives through a gamut of operations ranging from training, consultancy, research and education, to extension and information services. It has been renamed as National Institute of Micro, Small and Medium Enterprises (NIMSME) (www.nimsme.org) from April 2007. The primary objective of the Institute was to be the trainer of trainees. Today, with the technological development and ever-changing market scenario, their involvement has undergone changes too. From being merely trainers, they have widened their scope of activities to consultancy, research, extension and information services.25
(iii) **Indian Institute of Entrepreneurship (IIE):** With an aim to undertake training, research and consultancy activities in the small industry sector focusing on entrepreneurship development, the Indian Institute of Entrepreneurship (IIE) was established in the year 1993 at Guwahati by the erstwhile Ministry of Industry (now Ministry of Small-Scale Industry), Government of India as an autonomous national institute. The institute started its operations from April 1994 with North-East Council (NEC), Govt. of Assam, Arunachal Pradesh and Nagaland and SIDBI as other stakeholders.

The activities of the Institute include identification of training needs, designing and organizing programmes both for development functionaries and entrepreneurs; evolving effective training strategies and methodologies for different target groups and locations; organize seminars, workshops and conferences, providing for interaction and exchange of views by various agencies and entrepreneurs; undertaking research on entrepreneurship development, documenting and disseminating information needed for policy formulation and implementation on self-employment and entrepreneurship. The Institute acts as a catalyst for entrepreneurship development by creating an environment for entrepreneurship in the support system, developing new entrepreneurship, helping in the growth of existing entrepreneurs and propagation of entrepreneurial education.26

(iv) **Entrepreneurship Development Institute of India (EDII):** The Entrepreneurship Development Institute of India (EDII), an autonomous body and not-for-profit institution, set up in 1983, is sponsored by apex financial institutions namely the Industrial Development Bank of India (IDBI), IFCI Ltd., ICICI and State Bank of India (SBI). The Institute is registered under the Societies Registration Act 1860 and the Public Trust Act 1950.

An acknowledged national resource institution, EDI is committed to entrepreneurship education, training and research. The Institute strives to provide innovative training techniques, competent faculty support, consultancy and quality teaching and training material. EDI has been spearheading entrepreneurship movement throughout the nation with
a belief that entrepreneurs need not necessarily be born, but can be developed through well-conceived and well-directed activities.\textsuperscript{27}

(v) The Institute of Small Enterprises and Development (ISED): The Institute of Small Enterprises and Development (ISED) stand for ‘sustainable development through enterprise.’ It is a multi-faceted center for advanced learning and practice in the area of development. For the past decade, the Institute for Small Enterprises and Development has focused on research, education, innovative program design and entrepreneurship development initiatives, advocacy and networking dedicated towards sustainable development through enterprise creation. Among the similar institutions ISED’s leading-edge is the identification of methodologies and processes that empower one to break out of existing ‘mental models’ in order to identify new opportunities, while exploiting the emerging niche. ISED’s interest in linking research, policy, and action is realized through the programs of its Activity Centres. The integration of the outcome takes place at the Centre for Policy Integration. In realizing its vision and fulfilling its mission, the Institute also collaborates with like-minded institutions and individuals.\textsuperscript{28}

In view of the above, all institutions are engaged to impart training and development programmes to potential and existing entrepreneurs to promote small-scale and micro industries which is the backbone of the Indian economy. They are conducting seminars, workshops, conferences for entrepreneurs to improve their entrepreneurial abilities, knowledge, skill and calibre. These activities are beneficial to existing and potential entrepreneurs to commence small business activities which is finally beneficial to the country to accomplish the national objectives. Due to overall positive effect of the activities conducted by the various institutes, small entrepreneur should be able to manage the business activity effectively because due to LPG global competition to goods and services. To face the competition, excellent marketing strategy is indispensable. In addition to the above training institutions, number of organizations are set up by Central and State governments to promote small-scale sectors in India. Institutional support to small entrepreneurs is stated below.
3.14 INSTITUTIONAL SUPPORT TO SMALL ENTREPRENEURS IN INDIA

(1) Small Scale Industries Board (SSIB):

The Government of India constituted Small-Scale Industries Board (SSIB) in 1954 to advice on development of small-scale industries in the country. The SSIB is also known as Central Small Industries Board. The range of developmental work in small-scale industries involves several departments/ministries and several organs of the Central/State Government. Hence, the Small-Scale Industries Board has been constituted and established as an apex advisory to facilitate coordination and inter-institutional linkage among several departments/ministries of the central and state governments.

The Industries Minister of the Government of India is the Chairman of the SSIB. The SSIB comprises of 50 members including State Industry Minister, some Members of Parliament and Secretaries of various Department of Government of India, financial institutions, public sector undertakings, industry associations and eminent experts in the field.

(2) Small Industries Service Institutes (SISIs):

Small Industries Service Institutes (SISIs) are set up to provide consultancy and training to small entrepreneurs – both existing and prospective. The activities of SISIs are coordinated by the Industrial Management Training Division of the DCSSI’s office. There are 28 SISIs and 30 branches SISIs set up in state capitals and other places all over the country.

The main functions of SISIs include:

- To serve as interface between Central and State Governments.
- To render technical support services.
- To conduct Entrepreneurship Development Programmes.
- To initiate promotional programs.

The SISIs also render assistance in the following areas:

- Economic Consultancy/Information/EDP Consultancy.
- Project profiles.
• District/State industrial potential surveys.
• Workshop facilities.
• Training in various trades/activities.

(3) Small Industries Development Organisation (SIDO):
SIDO was set up in 1954 under small industries, department of ministry of industry, Government of India. SIDO is a policy making coordinating and monitoring apex agency for development and promotion of small industrialists. SIDO has a network of 25 small industries service institutes (SISI), 37 extension centres, 4 regional testing centres, 3 footwear training centres, 5 production centres, and so on. It maintains a close liaison with government, financial institutions and other agencies which are involved in the promotion and development of small scale units. SIDO has designed following work:

- To co-ordinate all India policies and programmes of governments for development of small scale industries;
- To co-ordinate the programmes for development of industrial estates and ancillaries all over India;
- To co-ordinate the programmes for backward areas rural industrialization projects and rural artisans training programmes.
- To assess the requirements of indigenous and imported raw materials or components and to arrange their supplies.
- To secure reservation of certain products for the SSIs.
- To assist and advise the controller of exports and imports in issuing import licences and the imposition of restrictions on import of various products.
- To collect data on consumer items which are imported and to encourage setting up of new units and
- To prepare model schemes, project reports and other technical literature for prospective entrepreneurs.
- To overcome the basic drawbacks of small industries sector and to improve its productivity and competitive strength, this organization provides –
  
  (a) Technical advice and assistance.
  
  (b) Management consultancy.
(4) National Small Industries Corporations (NSIC)

National Small Industries Corporation (NSIC) is a national level institution. It was set up in February 1955 as an undertaking of Government of India. The NSIC head office is located in New Delhi and its regional offices are in Mumbai, Chennai, Kolkata with more than a dozen branch office spread through the country. NSIC aims to fulfill the requirement of machinery and equipment for the development of small entrepreneurs. The main constraint faced by the entrepreneurs is the dearth of investible funds to purchase machinery and equipment. Dearth of finance deprives many new entrepreneurs from entrepreneurial opportunities. NSIC managed by the Board of Directors consists of the Development Commissioner and four other officials nominated by the Government of India. NSIC performs the following functions –

- To secure government orders for the products of small scale industries.
- To prove financial, technical and other assistance to enable the small units to execute such orders.
- To construct and manage “Industrial Estates” for small scale industries.
- To assist small scale units in the marketing and exporting of their products.
- To set up and run prototype production-cum-training centres.
- To conduct intensive campaigns in backward areas to promote local entrepreneurship.
- To co-ordinate small scale industries with large units so as to enable the former to serve as ancillaries to the latter.
- To underwrite and co-ordinate loans from banks and financial institutions to small scale industries.

Thus, NSIC performs both financial and developmental functions.

NSIC has the following six divisions –

(1) Store purchase division: To assist in securing government orders.

(2) Marketing division: To help in marketing the output and exporting promotion.
(3) Project division: To set up phototype cum training centres.

(4) Hire-Purchase division: To help in purchasing equipment on hire purchase basis.

(5) Industrial Estate division: To construct and manage industrial estates.

(6) Administration and Accounts division: To look after general administration, loans, guarantees etc.32

(5) National Productivity Council (NPC)

National Productivity Council is an autonomous body which provides the following services:

- Consultancy in all areas relating to small-scale industry.
- Training youth and prospective entrepreneurs.
- Undertaking market surveys for state governments.
- Post-investment service in areas like increasing productivity.33

(6) National Research Development Corporation (NRDC)

The National Research Development Corporation of India was established in 1953, as a non-profit organization by the Government of India. It has been set up to develop and exploit local know-how, inventions, patents, and processes emanating from research and development institutions in India.

The functions of NRDC are as follows:

Transfer of Technology: NRDC releases to the interested entrepreneurs technologies, patents and processes developed in various R&D institutions in India.

Development of projects: The Corporation finances up to 50% of the expenditure involved in putting up pilot plants, building of prototypes, establishment of demonstration units, to make laboratory know-how suitable for commercial exploitation and to fill gap in the existing technologies.

Development and Promotion of Appropriate Technology: NRDC is endeavouring to carry appropriate technology to poorer sections of the rural and semi-urban population. It establishes demonstration units in suitable locations for population of its need-based technologies. For example, it developed and introduced a pedal operated machine that can produce leaf cups from leaves that provided employment opportunities.
Export of Technology: NRDC through its technical information system collects and disseminates information regarding Indian technologies and transfers them abroad.

Guidance to Entrepreneurs: A publication titled NRDC Processes containing a list of technologies/processes available with NRDC is made available to entrepreneurs periodically. The printed list of processes and the technical notes are widely published and given free of cost to entrepreneurs.

Turnkey Services: NRDC offers proven technologies to entrepreneurs on turnkey basis giving the necessary guarantee for yields, quality of the products, consumption of raw materials etc.

Participation in the Equity Capital: A scheme for participation in the equity capital of the companies formed to set up first commercial unit to exploit the technologies from NRDC has been introduced. The equity participation is up to 26% of the capital in industries which require an investment of Rs.50 lakhs or more.³⁴

(7) Khadi and Village Industries Commission
The Khadi and Village Industries Commission is a statutory organization established in 1957, under an ACT of Parliament. KVIC assists in the promotion and development of Khadi and Village Industries. The main objectives of KVIC are: Rural industrialization, creation of employment opportunities in rural areas, promotion of self-reliance among people and the building up of a strong rural community base. KVIC plans, promotes, organizes and implements programmes and provides financial assistance to eligible agencies. It operates through state level Khadi Boards, registered institutions, co-operative societies, departmental units and sales outlets.

The functions of KVIC are as under:
- To plan and organize training programmes for potential entrepreneurs.
- To build resources of raw materials and implements for supply to producers.
- To create common service facilities for processing of raw materials.
- To promote sale and marketing of Khadi products of village industries and handicrafts.
• To explore the possibilities of export of KVIC products.
• To undertake research and development programmes to enhance the productivity of workers and artisans.

(8) National Scheduled Castes Finance and Development Corporation (NSCFDC):

Vision: Fighting poverty through entrepreneurship.

Mandate: Providing concessional finance for setting up of self-employment projects and skill-training grants to unemployed SC persons living below double the poverty line.

NSFDC: NSFDC is an institution under Ministry of Social Justice & Empowerment, Government of India for financing, facilitating and mobilizing funds for the economic empowerment of persons belonging to the Scheduled Castes families living below double the poverty line. NSFDC finances income generation schemes for the target group through the State Channelizing Agencies (SCAs) nominated by respective State/UT governments.

Broad objective: NSFDC is the apex institution for financing, facilitating and mobilizing funds from other sources and promoting the economic development activities of the persons belonging to the scheduled castes living below double the poverty line.

Share Capital: The authorized share capital of the corporation is Rs.1000 crores as on 31\textsuperscript{st} March 2013 and the paid up share capital is Rs.879.80 cr. as on 30.09.2013.

(9) National Safai Karmacharis Finance & Development Corporation (NSKFDC):

Organisation: Incorporated on 24\textsuperscript{th} January 1997, a company not for profit under section 25 of the Companies Act, 1956. The authorized share capital of the corporation is Rs.600.00 crores.

Mission: The mission of NSKFDC is to empower the scavengers safai karmacharis and their dependents to break away their traditional occupation, depressed social condition & poverty and leverage them to work their own way up the social and economic ladder with dignity and pride.
(10) National Backward Classes Finance & Development Corporation (NBCFDC):
National Backward Classes Finance & Development Corporation is a Govt. of India Undertaking under the aegis of Ministry of Social Justice and Empowerment. NBCFDC was incorporated under Section 25 of the Companies Act 1956 on 13th January 1992 as a company not for profit but with an objective to promote economic and developmental activities for the benefit of backward classes and to assist the poorer section of these classes in skill development and self employment ventures. NBCFDC provides financial assistance through State Channelising Agencies (SCAs) nominated by the State Governments/UTs. NBCFDC also provides micro financing through SCAs/Self Help Groups (SHGs). The corporation can assist a wide range of income generating activities to assist the poorer section of these classes in skill development and self-employment ventures under following broad sectors:

- Agriculture and Allied activities.
- Small business.
- Artisan and traditional occupation.
- Technical and professional trades/courses.
- Transport and service sector etc.\(^{38}\)

(11) National Handicapped Finance & Development Corporation (NHFDC)

Schemes of NHFDC: The corporation provides financial assistance for wide range of income generating activities to disabled persons. These are:

- For setting up small business in service/trading sector: Loan upto Rs. 3.0 lakh for sales/trading activity and Rs.5.0 lakh for service sector activity.

- For purchase of vehicle including auto rickshaw for commercial hiring: Loan upto Rs.10 lakh.

- For setting up small industrial unit: Loan upto Rs.25 lakh. Loan assistance is provided to disabled persons for manufacturing, fabrication and production.

- For agricultural activities: Loan upto Rs.10 lakh. Loan assistance is provided to disabled persons for agricultural production, irrigation, horticulture, sericulture, purchase of agricultural machinery/equipment for agricultural services, marketing of agriculture products etc.
• For self-employment amongst persons with mental retardation, cerebral palsy and autism: Loan upto Rs.5 lakh. In such cases, the financial assistance is extended through parents or spouse or legal guardian of the dependent mentally disabled person.

• Loan for professional/educational/training courses: Loan upto Rs.7.50 lakh for studies in India and upto Rs.15 lakh for studies abroad.

• Micro credit schemes by State Channelising Agencies implemented through NGOs – Loan upto Rs.5 lakh for each NGO and Rs.25,000/- for each beneficiary.

• Parents’ Association of mentally retarded persons – loan upto Rs.5 lakh.

• Financial assistance for skills & entrepreneurial development (in the form of grant to channelizing agencies/reputed training institutions for imparting skills and entrepreneurial development training to disabled persons).39

Details of the loan disbursed and beneficiaries covered under the NSCFDC, NSKFDC, NBCFDC, NHFDC are given in table 3.2 and 3.3 respectively.

Table 3.2. Amount of Loan disbursed (Rs. Crore) (2010-11)

<table>
<thead>
<tr>
<th>Corporation</th>
<th>Term Loan</th>
<th>Micro Finance</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSCFDC</td>
<td>79.94</td>
<td>41.12</td>
<td>--------</td>
<td>121.06</td>
</tr>
<tr>
<td>NSKFDC</td>
<td>36.67</td>
<td>10.53</td>
<td>17.79</td>
<td>64.99</td>
</tr>
<tr>
<td>NBCFDC</td>
<td>62.27</td>
<td>44.50</td>
<td>--------</td>
<td>106.77</td>
</tr>
<tr>
<td>NHFDC</td>
<td>17.63</td>
<td>2.15</td>
<td>0.08</td>
<td>19.86</td>
</tr>
<tr>
<td>Total</td>
<td>196.51</td>
<td>98.3</td>
<td>17.87</td>
<td>312.68</td>
</tr>
</tbody>
</table>

Table 3.3. Number of Beneficiaries (2010-11)

<table>
<thead>
<tr>
<th>Corporation</th>
<th>Term Loan</th>
<th>Micro Finance</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSCFDC</td>
<td>9,597</td>
<td>21,897</td>
<td>2,165</td>
<td>33,659</td>
</tr>
<tr>
<td>NSKFDC</td>
<td>3,525</td>
<td>4,525</td>
<td>7,371</td>
<td>15,421</td>
</tr>
<tr>
<td>NBCFDC</td>
<td>31,489</td>
<td>49,171</td>
<td>--------</td>
<td>80,660</td>
</tr>
<tr>
<td>NHFDC</td>
<td>3,438</td>
<td>1,070</td>
<td>3</td>
<td>4,511</td>
</tr>
<tr>
<td>Total</td>
<td>48,049</td>
<td>76,663</td>
<td>9,539</td>
<td>1,342,51</td>
</tr>
</tbody>
</table>


(12) DALIT INDIAN CHAMBER OF COMMERCE AND INDUSTRY:

The Pune-based Dalit Indian Chamber of Commerce and Industry (DICCI) was established in 2005 by Milind Kamble, a civil engineer and entrepreneur. While Mr. Kamble is currently the Chairman, the organization has grown with the help of 18 state chapters and 7 international chapters. Its membership base is rapidly expanding as more Dalit entrepreneurs have become aware of its activities and what it can offer them.

The activities of its members are quite diversified ranging from manufacturing (sectors such as chemicals, agri-products, frozen foods, plastics, textiles, pest control, metals and metallurgy, marine engineering, solar energy, sugar refining), construction and services (health care, hospitality industries, education and international trade).

ACHIEVEMENTS – The achievements of DICCI in 10 years are given below:

- Nationwide presence of DICCI through network of 18 state chapters and 7 abroad chapters with membership base of 5000.
- Playing a catalyst role for implementation of affirmative action and supplier diversity within Indian industry.
- Govt. of India and major state governments have recognized DICCI as a national chamber of commerce body and invites for interaction.
DICCI has created new public procurement policy in government of India, which mandates 4% procurement by all Central Govt. Ministries/Departments/PSUs from SC/ST entrepreneurs. Therefore Rs.24000 crore assured incremental market opportunities for SC/ST entrepreneurs are open.

DICCI played a major role in formation of Govt. of India led venture capital fund of Rs.200 crore and it has become operational through IFCI.

DICCI efforts have fructified in launching 200 crore Credit Enhancement Guarantee Scheme for Scheduled Caste (CEGSSC) – 2015 on the line of CGTSME.

Govt. of India introduced Rs.100 crores “Van Bandhu Kalyan Yojana.”

DICCI entered in the Capital Market of India and launched DICCI SME Venture Capital Fund to support SC/ST enterprises.

DICCI played a major role in formation of MUDRA bank in budget 2015-16 of Govt. of India, priority in lending will be given to SC/ST enterprises.

Successfully organized FOUR National industrial and Trade Expo.

Received national recognition when four of our members were honoured with Padmashree awards. Milind Kamble & Kalpana Saroj (2013), Ravikumar Narra & Rajesh Saraya (2014).

Organized various buyer-seller meets in association with CII, NSIC and MSME.

Developed ‘IGNITE” a model EDP programs which created 100 entrepreneurs in AP and Telangana.

DICCI SME portal launched to facilitate SC/ST entrepreneurs B2B opportunities.

DICCI established partnership with Tata group and Confederation of Indian Industry (CII).

Connected 500 SC/ST entrepreneurs to different mainstream corporate houses as vendors and suppliers in their Supply Chain Management (SCM), out of which 300 are connected to Tata Group companies only.

Initiated DICCI women entrepreneurs with to foster entrepreneurship amongst SC/ST women.

DICCI is one stop source of inspiration to Dalit youths.
DICCI achieved its objectives in last 10 years. Today its role is inspiration to Dalit youth because today jobs are not available. Dalit youth should take inspiration and start self employment because by self employment they can generate employment for others which can reduce the unemployment situation.

(13) State Small Industries Development Corporations (SSIDCs)

The State Small Industries Development Corporations (SSIDCs) were set up in various states under the Companies Act, 1956 as State Government Undertakings to cater to the primary developmental needs of the small, tiny and village industries in the State/Union Territories under their jurisdiction. Incorporation under the Companies Act has provided SSIDCs with greater operational flexibility and wider scope for undertaking a variety of activities for the benefit of the small sector.

The important functions performed by the SSIDCs include:

- To procure and distribute scarce raw materials.
- To supply machinery on hire purchase system.
- To provide assistance for marketing of the products of small-scale industries.
- To construct industrial estates/sheds, providing allied infrastructure facilities and their maintenance.
- To extend seed capital assistance on behalf of the State Government concerned.
- Provide management assistance to production units.

(14) Directorate of Industries – Maharashtra (DI)

Directorate of Industries is an executive arm of the Industries Department and is engaged in implementation of government policies for all round development of industries in the state by seeking coordination amongst the state level promotional corporations like MSME-DI, MIDC, MAIDC, MSSIDC, SICOM, MITCON etc and other departments of the government relating to industries.

The Directorate is supported by six Regional Offices and District Industries Centres (DIC) at every district. The powers to implement the schemes are completely decentralized and are vested with the DIC for effective delivery mechanism at district level.
It also assists in the formulation and implementation of various policies and promotional schemes viz. Industrial Policy, SEZ Policy, IT Policy, BT Policy, Package Scheme of Incentives etc.

MIDC was constituted on August 1, 1962. In the first year of establishment, MIDC came up with 14 industrial areas, to initiate action for infrastructure and to help entrepreneurs set up the industrial units in those areas. MIDC has impacted the socio-economic scenario of the state as its activities spread in the interior.

The main objective is to achieve balanced industrial development in Maharashtra with an emphasis on developing and underdeveloped parts of the state by facilitating entrepreneurs in setting up industries at various locations.

These objectives are achieved through acquisition and disposal of land and provision of infrastructure and services like water supply, drainage, effluent disposal etc for the development of each and every district of Maharashtra.

(15) Maharashtra State Financial Corporation (MSFC)
MSFC is a statutory Corporation set up under the State Financial Corporations (SFCS) Act, 1951.


Functions: To provide mainly the term loan assistance to small and medium scale industries for acquiring fixed assets like land, building, plant & machinery. Loans are presently extended for expansion, diversification, technology development, enlarging product mix / product range, quality improvement including ISO 9000 series certifications and also for Take-Over of Term Loan accounts from Banks and other Financial Institutions in case of good borrowers of the Corporation.

Fee Based Activities: Preparation of Project Appraisal / Feasibility Report etc.
Organisational structure: Besides the Head Office at Mumbai (Bombay), MSFC has 7 Regional Offices and 12 Branch Offices in Maharashtra and Goa.

The Regional Offices are located at Aurangabad, Kolhapur, Nagpur, Nashik, Pune & Thane in Maharashtra and at Panaji in Goa. The Branch Offices are located at Ahmednagar, Akola, Amravati, Beed, Chandrapur, Chiplun, Jalgaon, Latur, Nanded, Sangli, Satara and Solapur.

Eligible Activities:
- Industrial activities such as manufacturing, assembling, servicing, processing, preservation, transportation, setting-up industrial estates etc.
- Activities such as Nursing Home, Hotels, Restaurants, Tourism related activities.
- Medical practitioners are eligible for acquiring electro medical and other equipment for professional use.
- Qualified professionals in management, engineering, architecture, accountancy etc desiring to undertake expansion of their professional practice / consultancy ventures.
- Other service activities declared as eligible under the SFCs Act.

Proposed: Commercial complexes, multiplexes, marriage halls, group housing / residential complex etc. The Small Scale Industrial Units should have SSI registration while service enterprises should be registered with the appropriate authority.

Loan Limit: Rs.5 Crore.

Quantum of Assistance: While deciding upon the quantum of loan, minimum promoters contribution and the prescribed Debt Equity Ratio (DER) are taken into consideration. Higher margin and / or shorter repayment period may be insisted depending upon the nature and rate of technological obsolescence and the risk perception for the project.

Debt Equity Ratio (DER): Permissible DER for the project is upto 2:1 depending upon the loan amount, nature of assets and risk perception but DER upto 1:1 may be insisted upon keeping in mind viability and collateral security. “Equity” includes promoters’ contribution, share capital, seed capital, State Govt. subsidy, portion of accruals, deposits / interest free unsecured loans (Quasi Equity) raised by the promoters etc. “Debt” includes long term loans, deferred payment etc.

Procedure for sanction of loan: The loan application forms are available free of charge which are to be submitted to the concerned Regional Office duly filled in with required additional particulars. Preliminary clearance for further processing of the proposal is given
after scrutiny of the proposal and interaction with the promoters by the Screening Committee at the Regional Office or at the Head Office depending upon the loan amount. Detailed Technical and Financial Appraisal of the proposal for the loan is submitted to the Appropriate Authority for sanction of the loan.

**Processing fee:**

Loan upto Rs.40 lakh....................0.7% of the amount sanctioned.
Loan above Rs.10 lakh...................1% of the amount sanctioned subject to the maximum of Rs.1 lakh.

**Disbursement of Loan:** Loan amount is disbursed after the promoters have complied with the terms & conditions stipulated in the sanction letter. Disbursement is made in stages depending upon the fixed assets acquired / created. Promoters have to furnish necessary documents, valuation reports and Chartered Accountant’s Certificate in the prescribed format to prove the expenditure incurred. Physical verification of the assets acquired / created is carried out before disbursement of loan. The disbursement amount is released by keeping the margin stipulated on the value of the specific assets upon completion of the legal formalities / documentation.

**Security:**

i) Prime security in the form of fixed assets viz. land, building, plant & machinery financed by the Corporation.

ii) Collateral security depending upon the type of project, location, technological obsolescence, risk perception etc.

**Interest Rates:** As may be decided by the Board of Directors of the Corporation from time to time. Presently the rate of interest is 13% with 1.5% incentive for prompt payment of principal installments and interest on due dates.

**Repayment Period:** Repayment schedule is fixed on the basis of the debt servicing capacity of the project. Maximum 8 years’ repayment period inclusive of the moratorium period up to 2 years from the date of first disbursement is given. For certain schemes, shorter repayment period is prescribed. Only interest payment commences during the moratorium period.

**For repayment of Principal:** Quarterly installments.

**For payment of interest:** Monthly installments.
(16) Technical Consultancy Organisations (TCOs)

Technical Consultancy Organisations were set up in different States with the object of providing a package of consultancy services to small and medium enterprises, individual entrepreneurs, Govt. departments, state level institutions and commercial banks for financing activities relating to industrial development. The activities of TCO includes pre-investment studies, preparation of project profiles and feasibility studies, undertaking industrial potential surveys, identification of potential entrepreneurs and provision of technical and management assistance, undertaking marketing research and surveys for specific products, carrying out energy audits and energy conservation assignment, undertaking export management, consultancy for export-oriented projects, conducting entrepreneurship development and skill upgradation programmes etc.45

(17) District Industries Centres (DIC)

The Industrial Policy Statement of 1977 proposed the setting up of a district level institution called the District Industries Centre (DIC) to provide under one roof all the services and support required by small and village entrepreneurs. Accordingly, a number of DICs have been set up. The DIC undertakes economic investigation of the potentials for development of the district, including its raw materials and other resources, supply of machinery and equipment, provision of raw materials, effective arrangements for credit facilities, marketing assistance, quality control, research, extension and entrepreneurial training. The Centre has a separate wing for looking after the special needs of cottage and household industries as distinct from small industry. The Rural Industries Project and Rural Artisans Programme would be merged with programme of the District Industries Centre. Each DIC would have a General Manager and a number of managers of different disciplines for looking after planning and economic investigation, credit, marketing etc.

Presently, there are 422 DICs functioning in the country. Under DIC programmes, Government of India shares the expenditure with the State Governments on a 50:50 basis and 100 percent expends on DICs of UTS are borne by the Centre limited to Rs.4 lakh per DIC.
During the last four years, DIC registered 11.81 lakh new units, established 17.32 lakh units. Of which, 11.83 lakh were SSI units and 5.49 lakh artisans. Financial institution provided Rs.6,238 crore credit assistance. This has resulted in generating 41.64 lakh additional employment. As per directive of National Development Council, DIC programme stands transferred to the state sector.46

Thus, the above institutions support small entrepreneurs as per their objectives because this sector has potential to overcome the vibrant problem of unemployment. In view of the global scenario, such support is essential to enable the small entrepreneur to operate the business activities effectively because of very stiff competition from large scale and foreign multinationals. These big entrepreneurs have all types of resources to operate their business activities competitively whereas small scale sector has less resources to compete with the large scale and multinationals.

Therefore, through institutional support, central and state government is promoting the sector to accomplish their socio-economic objectives as well as economic upliftment and development of the region together with overall economic development of the nation as a whole.

3.15: SUMMARY:

The basic objective of the present chapter was to examine the historical sketch and theories of entrepreneurship, economic growth and developments, role of EDP and supporting institutions.

In the historical past, Indian communities consisted of four main castes, viz, the Brahmins, the Kshatriyas, the Vaishyas and the Shoodras. The caste groups were rigidly separated on a functional basis. The Brahmins were the learned men who assisted the Kshatriyas (rulers) in administration and the Shoodras were involved in agricultural occupation. The Vaishya community was engaging in trade and commerce and industrial productive activities.
The theories of entrepreneurship depict that the four theories of entrepreneurship are derived as far back as two centuries ago. According to economic theory there is little effect on entrepreneurship. This theory asserts that entrepreneurship and economic growth takes place when the conditions are favourable. The sociological theory suggests entrepreneurship as a social movement. The psychological theory states that the entrepreneurship altogether has a fair impression among social scientists. Mainly, the development of entrepreneurship in any locality by anybody tends to be the dream of a particular person for developing a particular area, particular product to be manufactured by him and thereby lifting the standard of living of that area. So, the success is achieved in two fronts; first is, achieving commercial target and benefit set for the project, and secondly, by developing that area by achieving success. He fulfills his dream and derives great satisfaction from the product he has developed. The best example is of Ratan Tata's Nano car project for middle class and lower middle class. This example supports the arguments of Joseph Schumpeter in psychological theory. In the anthropological theory, Mr. Fredrick Barth enumerates that entrepreneurial behaviour means to connect the different spheres of society between which there is huge discrepancy in value.

For economic development, entrepreneur play significant role. He raises funds, physical and human resources to start the business activity, i.e., production and distribution of goods and services to community. Without the initiative of creative entrepreneur, it is impossible for community to consume different types of goods and services. While managing activities, entrepreneur generates gainful employment opportunities for community to enhance their economical and social status.

EDP plays a very crucial role for entrepreneurship development. Every human being has certain traits of an entrepreneur. If the traits are developed, a person can become a successful entrepreneur. In EDPs training, information is given to potential entrepreneurs in respect of role of entrepreneurs for economic and social development, his behaviour, institutional facilities and support to entrepreneurial activities from different institutions. In addition to this, they invite successful entrepreneurs to address trainees. They share experiences which aids the trainee to develop their self confidence and positive attitude towards entrepreneurship.
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