CHAPTER I

INTRODUCTION

The development of an economy depends, to a great extent, upon the highly motivated people rightly termed as ‘entrepreneurs’ who are willing to take risks for achieving tangible growth. The high rate of growth and success of entrepreneurs in developed economies are illustrative of this. A peep into the history of India shows that Indian enterprises and entrepreneurial zeal were curtailed by the colonial British empire. The mere destruction of the Indian handicrafts and village industries during the British rule pushed back the wheels of progress.

The need to promote entrepreneurship for the country’s economic growth has attracted the attention of Indian planners in recent times. Though the country is committed to give equal opportunity for growth and for reducing regional imbalances, entrepreneurial growth has been limited to certain regions of the nation. In this chapter, an attempt is made to present the entrepreneur and the development of entrepreneurship in India and, particularly in Tirunelveli district.
1.1 Definition of Entrepreneur

An entrepreneur is an effective catalyst in the economic development of a country. In the words of Schumpeter,\textsuperscript{1} "The economy did not grow 'naturally' or 'inevitably' or 'even steadily' but rather was pushed forward in sudden leaps by the activities of key men who wanted to promote new goods and methods of production or to exploit a new source of material or a new market. The motivation was not merely profit, but also the desire to found a private dynasty, the will to conquer in a competitive battle and the joy of creating". Moreover, the economic development of a country to a large extent is influenced by human values and motives to exploit opportunities, to take advantage of favourable trade conditions, apart from external forces. Hence, entrepreneur and his undoubted relationship with economic growth and activity cannot be questioned.

Entrepreneurship, like many other economic concepts, has long been debated. It has been used in various ways and in various senses. It is an elusive concept that cannot be defined precisely. The word entrepreneurship has been derived from a French root which means to undertake. Today people call it by various names, eg. Adventurism, risk taking, thrill seeking, innovating etc.

The concept and its theory have evolved over more than two centuries. In classical economic theory, it was a shady concept. In the long run and under perfect competition the entrepreneur either disappeared or at least changed over into a sort of general manager. It is only in recent years that entrepreneurship and the role of entrepreneurs in the process of industrialisation and economic development has been recognised in both developed and developing countries. Even today entrepreneurship is not a fully clear concept.

According to Higgins, "Entrepreneurship is meant the function of seeking investment and production opportunity, organising an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials, finding site, introducing a new technique and commodities, discovering new sources of raw materials and selecting top managers of day-to-day operations of the enterprise.

In this definition entrepreneurship is described as the function of handling economic activity, undertaking risk, creating something new and organising and coordinating resources.

At a conference on entrepreneurship in the United States, entrepreneurship was defined as follows:
Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking appropriate to the opportunity, and through the communicative and management skills to mobilise human, financial, and material resources necessary to bring a project of fruition.

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

Indeed, it is a young or immature science. In order to build the body of knowledge that underlies the art of entrepreneurship we must create academic models that can successfully be applied in industry. The art and science of entrepreneurship are complementary to each other and, therefore, require simultaneous advances in both theory as well as practice.

According to Diamond, entrepreneurship is equivalent to enterprise which involves the willingness to assume risks in undertaking an economic activity particularly a new one... It may involve an innovation but not necessarily so. It always involves risk-taking and decision-making, although neither risk nor decision making may be of great significance.
In this definition, entrepreneurship is used to refer to the qualities required to innovate, start a new enterprise, accept the challenge and bear the risk. Few individuals have these qualities and therefore, entrepreneurs are found in limited numbers in any society.

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

Jaffrey A. Timmons has defined entrepreneurship as the ability to create and build something from practically nothing. Fundamentally, a human creative activity, it is finding personal energy by initiating, building and achieving an enterprise or organisation rather than by just watching, analysing or describing one. It requires the ability to take calculated risk and to reduce the chance of failure. It is the ability to build a founding team to complement the entrepreneur's skills and talents. It is the knack for sensing an opportunity where others see chaos, contradiction and confusion. It is the know-how to find, marshall, and control resources and to make sure the venture does not run out of money when it is needed most.

Entrepreneurship can be viewed as a creative and innovative response to the environment and an ability to recognise, initiate and exploit an economic opportunity.
1.2 A Conceptual Model of Entrepreneurship

There are several obstacles in defining entrepreneurship clearly. First, everyone has a personal opinion or understanding of entrepreneurship. Secondly, entrepreneurs are viewed as the new cultura heroes and are held in a awe due to which critical examination of their characteristics is obsured. Thirdly, entrepreneurship is an abstraction, though entrepreneurs are tangible persons. Fourthly, well-desgined and controlled research studies on entreprenuership are very few. Lastly, when it is assumed that entrepreneurship is something opposed to or divorced from management defining entrepreneurship becomes difficult.

1.3 The Entrepreneurial Personality

The entrepreneurial personality is a compositie of the person, his skills, styles and motives. The entrepreneur is central to entrepreneurship because without the key individual who makes things happen, there can be no creative result. The ultimate success of a new venture depends largely upon the psychological makeup and detemination of the entrepreneur. The variety of entrepreneurial skills range from intuation to analytical ability. Numerous attempts have been made to identify entrepreneurial traits yet no universally acceptable list of these traits has been developed till date. Personality determines the kind of environment the would-be
an entrepreneur is likely to feel comfortable in and hence what type of company the entrepreneur feels comfortable working in.

Two main attempts have been made to explore the personality of the entrepreneur. Both are based on the assumption that the act of entrepreneurship is an act patterned after modes of coping with early childhood experiences. Using a psychoanalytic approach, Collins and Moore analysed autonomy, independence and self-reliance among successful manufacturing entrepreneurs in Michigan, USA. The entrepreneur was viewed as driven by unresolved conflicts around authority stemming from the early relationship with his parents. In the entrepreneurs studied the fathers were typically unsupportive whereas mothers were devoted to the son and ready to rely on him rather than the father. The ambivalence towards authority resulted in the difficulty in forming long lived partnerships. There was a high need to dominate and a fear of being dominated. The entrepreneurs were interested more in achievement and autonomy than insocial status and money.

In another study Zaleznik and his colleagues viewed the entrepreneur as a person deeply influenced by a turbulent and disrupted childhood. He was motivated by persistent feelings of dissatisfaction, rejection and powerlessness stemming from conflicted relations with parents. Need for relief from these painful conflicts may lead to self-destructive or creative and innovative efforts like developing a new enterprise.
Varies identifies six main elements of entrepreneurial personality

a) environmental turbulence

b) struggles around issues of authority with one’s parents

c) a feeling of rejection.

d) Painful feelings of anger, hostility and guilt.

e) Identity confusion (identification with the person causing the hurt

f) Adopting the reactive mode of painful feelings (guilt, rebellion, impulsiveness).

The entrepreneurial personality may materially affect company succession. To the extent that entrepreneurs identify closely with their enterprise and depend on it as a source of self-esteem, their need for control over the enterprise may conflict with the company’s need for the sharing of authority by a larger group. That is why varies describes the leadership style of the entrepreneur as self-limiting.

Entrepreneurial style refers to social interaction, the interface between self and others. It determines how one is perceived. It is an important means by which the entrepreneur achieves his or her goals through others. Motives are those personal factors which drive the individual towards a particular goal. These are the sources of entrepreneurial zeal.
1.4 Schumpeter's Views on Entrepreneurship

Joseph Schumpeter has done pioneering work on entrepreneurship. According to him entrepreneurship is essentially a creative activity. It consists in doing such things as are generally not done in the ordinary course of business. An entrepreneur is one who innovates i.e. carries out new combinations or enterprise. Entrepreneurs are especially motivated and talented class of people and key figures in development. They foresee the potentially profitable opportunity and try to exploit it. Innovations involve problem solving and the entrepreneur is a problem solver.

Schumpeter makes a distinction between an innovator and an inventor. An inventor discovers new methods and new materials. On the contrary, an innovator is one who utilises or applies inventions and discoveries in order to make new combinations and thus produces newer and better goods which yield both satisfaction and profits. An inventor produces ideas while the innovator implements these ideas. An inventor is concerned with his technical work of invention whereas an entrepreneur converts the technical work into economic performance. An innovator is more than an inventor because he does not only orginates as the inventor does but goes much farther in exploiting the invention commercially.

Every social environment has its own way of carrying out innovations. For example, in a developing country like India revolutionisation of agricultural methods
by the Government is an innovation. Introduction of nylon garments, development of mail order business, evolution of computer-aided manufacture, rise of joint stock company are all examples of innovation.

Schumpeter stressed the role of the entrepreneurial function in economic development. He recognised that development was more than putting money into the bank and watching it grow. Development requires basic changes and entrepreneurs carry out the required changes. Entrepreneurial growth brings economic development. The entrepreneur leads the means of production into productive channels.

Schumpeter's concept of entrepreneurship is both wide and narrow. It is wide in the sense that it includes not only the independent businessmen but also company directors and managers who actually carry out innovative functions. It is narrow to the extent that individuals who merely operate an established business without performing innovative functions are excluded.

Schumpeter's innovating entrepreneur represents the most vigorous type of enterprise. But this type of entrepreneur is a rare specie in developing countries. The type of entrepreneur who exploits possibilities as they present themselves within a limited time horizon and mostly on a small scale canonly produce limited results.
Society must produce innovators with a long time horizon and who are capable of achieving substantial transformations.

Schumpeter's views are particularly relevant to developing countries where innovations need to be encouraged. The transformation of an agrarian economy into an industrial economy requires a great deal of initiative and changes on the part of businessmen and managers. However, Schumpeter's theory puts too much emphasis on innovative functions. It ignores the risk-taking and organising aspects of entrepreneurism. An entrepreneur has not only innovate but also assemble the resources and put them to optimum use. While stressing upon the innovative function of the entrepreneur, Schumpeter ignored the risk-taking function which is equally important. It is quite difficult to imagine an enterprise without risk and profit is the main force for undertaking risk. When an entrepreneur develops a new combination of factors of production, there is enough risk involved.

Schumpeter's entrepreneur is a large scale businessman who creates something new. But an entrepreneur cannot have large scale operations from the very beginning. Moreover, in underdeveloped countries people who can adopt the existing technology are needed. Such countries need more immitators than innovators. They have to launch on small scale due to imperfect market, shortage of capital and scarcity of skilled labour.
1.5 Walker's Views on Entrepreneurship

Walker has considered an entrepreneur as an organised and coordinator of the various factors of production. According to him the true entrepreneur is one who is endowed with above average ability for organisation and coordination. He is a pioneer and a captain of industry. However, in practice, entrepreneurs possess different degrees of organisational skill and coordinating capacity. The supply of true entrepreneurs is limited. The more competent entrepreneurs earn superior rewards in terms of profits.

1.6 Drucker's Views on Entrepreneurship

According to Peter Drucker, an entrepreneur is one who always searches for change, responds to it, and exploits it as an opportunity. Entrepreneurs innovate and innovation is a specific instrument of entrepreneurship. It creates resource because there is no such thing as a resource until man finds a use for something and endows it with economic value.

Both mineral oil and bauxite were nuisance which rendered the soil infertile, until man discovered their use. Purchasing power is the greatest resource in an economy and it was created by an American innovative entrepreneur, Cyrus McCormick, who invented instalment buying. Similarly, whatever improves the
wealth producing potential of already existing resources constitutes innovation. Innovation is an economic or social rather than a technical term.

J.B. Say defined entrepreneurship as improving the yield of resources. Drucker defines it as increasing the value and satisfaction obtained from resources by the consumer. Successful entrepreneurs create new values or increase the values of what already exists. They convert a material into a resource or combine existing resources in a new or more productive configuration.

Entrepreneurship is based on purposeful and systematic innovation. Systematic innovation consists in the purposeful and organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic or social innovation.

1.7 Theories of Entrepreneurship

The concept of entrepreneurship and its theory have been evolved over a period of more than two centuries. There are different opinions on the emergence of entrepreneurship. A few leading theories of entrepreneurship are presented below in a nutshell:
The concepts and theories of entrepreneurship have been undergoing major changes since the 17th century. For example, the 17th century authors propounded entrepreneurial functions in the light of the government's guidelines.

Then, from 1725 to 1876 scholars like Richard Cantillon, J.B. Say and F.A.Walker gave importance to the common functions like planning, supervising, organizing and marketing. Such theories made some contribution in this direction but the aspect of comprehensiveness was not prominent. A small extension to this area was made.

The real theoretical stress and exploration of vital functions of entrepreneurs could be found around 1934 with the enlightening arguments of Joseph A. Schumpeter. For the first time, a theoretical frame and discussion were advanced with the right type of emphasis and illustrations that opened the doors of further development of the theories of entrepreneurship. Schumpeter came out with a startling and strong finding of the spirit of venture and the willingness of entrepreneurs to innovate and also accept the challenges of such new ventures. The theory of innovating entrepreneurship holds good even today because one who is able to innovate can understand the inbuilt and intricate risks of business and management. The possibility of developing new technology also was rightly stressed by Schumpeter. His theory became a model and a guide for later development of theories of entrepreneurship.
In 1958, Haggen came out with a new theory of entrepreneurship. He maintained that an entrepreneur was an economic man who should try to maximise his profits through rational innovations and adaptations.

Then came the popular theory of the matchless Management Guru, Peter Drucker in 1964. Drucker applied his great scholarship and field training to the problem of the theoretical aspects of an entrepreneur in an admirable manner. According to him, any entrepreneur should maximise his opportunities through systematic innovations and introductions. His theory was an inspired output of Schumpeter's theory to a large extent.

In 1975, the dynamic Albert Shapero developed an entrepreneurial theory giving importance to initiatives organizing socio-economic mechanism and accepting the risks of failure. He felt that any prudent entrepreneur can rise from his ashes.

A notable contribution was made in 1985 by Robert Hesrich. According to him, entrepreneurship was the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks and receiving the results - rewards of monetary and personal satisfaction.

Recently, in 1990 Vasanth Desai developed a credit worthy theory of entrepreneurship. According to him, an entrepreneur should bring in overall changes
through innovations for the maximum social good. He argued that human values had been sacred and could inspire any entrepreneur who served the society well. He firmly believed in the sociological betterment and gave importance to the entrepreneurs' responsibility towards the society. It can be stated that this theory had an element of revolution in thinking. It is rated as a pioneering theory of entrepreneurship.

It is well known that entrepreneurship is a vital feature of business. It gains greater importance in the light of recent reforms.

1.7.1 Economic Theories

According to economists, entrepreneurship and economic growth will take place in those situations where particular economic conditions are most favourable. G.F. Papanek and J.R. Harris are the main advocates of this theory. According to them, economic incentives are the main drive for the entrepreneurial activities. In some cases, it is not so evident, but the persons inner drives have always been associated with economic gains. Therefore, these incentives and gains are regarded as the sufficient condition for the emergence of industrial entrepreneurship. When an individual recognises that the market for a product or service is out of equilibrium, he may purchase or produce at the prevailing price and sell to those are prepared to buy
at the highest price. Lack of vigorous entrepreneurship is due to various kinds of market imperfections and inefficient economic policies.

1.7.2 Sociological Theories

Sociologists argue that entrepreneurship is most likely to emerge under a specific social culture. According to them social sanctions, cultural values and role expectations are responsible for the emergence of entrepreneurship. According to Cochran the 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 the attitudes and role expectations. According to Weber religious beliefs produce intensive exertion in occupational pursuits, the systematic ordering of means to end, and the accumulation of assets. It is these beliefs which generate a drive for entrepreneurial growth. Hoselitz suggests that culturally marginal groups promote entrepreneurship and economic development. Such groups, because of their ambiguous position are peculiarly suited to make creative adjustments and thereby develop genuine innovations. In several countries, entrepreneurs have emerged from a particular socio-economic class. The protestant ethic of the west is said to have contributed to the emergence of a new class of industrialists. In Britain, the United States and Turkey, ranks of entrepreneurs were filled from commerce, Samurai in Japan, family pattern in France, Yoruba in Nigeria,
Kikuyu in Kenya, Christians in Lebanon, Halai Memon industrialists in Pakistan, Marwaris and Parsees in India are considered to be the dominant social classes as source of entrepreneurship. In his study of the origin and background of entrepreneurs in several countries, Hagen also concluded that entrepreneurs have emerged from certain communities and castes.

1.7.3 Psychological Theories

According to the advocates of psychological theory, entrepreneurship is most likely to emerge when a society has sufficient supply of individuals possessing particular psychological characteristics. Schumpeter believes that entrepreneurs are primarily motivated by an atavistic will to power, will to found a private kingdom or will to conquer. Their main characteristics are

a) an institutional capacity to see things in a way which afterwards proves correct,

b) energy of will and mind to overcome fixed habits of thought; and

c) the capacity to withstand social opposition.

According to McClelland it is the high need for achievement which drives people towards entrepreneurial activities. The achievement motive is inculcated through child rearing practices, which stress standards of excellence, maternal warmth, self-reliance training and low father dominance. Individuals with high
achievement motive tend to take keen interest in situations of high risk, desire for
responsibility and a desire for a concrete measure of task performance. Hagen
considers withdrawal of status respect as the trigger mechanism for changes in
personality formation. Status withdrawal is the perception on the part of the members
of some social group that their purposes and values in life are not respected by
groups in the society whom they respect and whose esteem they value. Hagen
identifies four types of events that can produce status withdrawal: a) displacement
by force, b) denigration of valued symbols, c) inconsistency of status symbols with
a changing distribution of economic power, and d) non-acceptance of expected
status on migration to a new society.

Kunkel's behavioural model is concerned with the overtly expressed activities
of individuals and their relations to the previously and presently surrounding social
structures and physical conditions. Behavioural patterns in this model are determined
by reinforcing and aversive stimuli present in the social context. Hence,
entrepreneurial behaviour is a function of the surrounding social structure, both past
and present and can be readily influenced by the manipulative economic and social
incentives.

Entrepreneurship is influenced by a multitude of factors and, therefore, no
single factor by itself can generate entrepreneurship. Thus, entrepreneurship is the
outcome of a complex and varying combination of socio-economic, psychological
and other factors. The integrated contextual model developed by Abdul Aziz Mahmud is a good explanation of entrepreneurship.

The economic, political and legal factors can be quickly manipulated to make the environment conducive to the emergence of entrepreneurship. On the other hand, sociological and psychological factors take sufficiently long time to change. It may therefore, be concluded that given a degree of ambition and ability, external environment rather than personality or ego are the major determinants of whether or not an individual becomes an entrepreneur.

1.8. **Role of Entrepreneurs in Economic Development**

At present, most of the developing economies are primary sector-dominated economies and India is no exception. Therefore, there arises a logical base for recognising the role of the industrial sector in the overall economic development of the country. The ultimate aim of economic development is to bring about an improvement in the quality of life of the members of the society.\(^2\) The role of entrepreneur is to produce an environment which is conducive to the optimum utilisation of the resources be it money, man power or material.

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In a fast-moving world, no firm – small or large can survive if it is not alert and responsive to technological changes. Hence speedy and faster economic development is possible only with the help of dynamic and alert entrepreneurs. In India, “Small business firms produce two and a half times as many innovations as large firms, relative to the number of persons employed. Since World War II small business firms have been responsible for developing more than half of the new producers and service innovations.3

In a country like India, state and private entrepreneurs exist side by side. The small-scale industrial sector and business are in the purview of private entrepreneurs. Hence, the need to promote entrepreneurship in the medium scale and small-scale industrial sector becomes essential to hasten the rate of development.

“The need for broad-based entrepreneurial class in India arises from the need to speed up the process of activating the factors of production, leading to a higher rate of economic growth, dispersal of economic activities, development of backward and tribal areas, creation of employment opportunities, improvement in the standard of living of the weaker sections of the society, and involvement of all sections of the society in the process of growth.

Only if a conducive environment is created, there is a possibility for new persons to venture into business. The entrepreneur works as a catalyst opening up new vistas, creating wealth, fostering development in other sectors of the economy.4

1.9. Growth of Entrepreneurship in India

During the pre-independence era, India was a centre of bustling trade activity. The Indian industries excelled in crafts such as weaving, tanning, metalling even during the early Vedic period. The ancient Indian literature provides substantial evidence to the well-ordered industrial structure of the Indo-Aryan Society and the existence of commercial and industrial organisations.

During the Mughal rule, there existed a regularised system of state-controlled industries. The Government was in possession of factories (Karkhanas) in the principal cities. During the 16th and the early 17th centuries, there was an organised system of entrepreneurship and trade flourished in important cities like Varanasi, Allahabad, Ganga, Puri and Mirzapur which were situated on the banks of rivers. Exports of cotton, muslin, carpets and handicrafts were made possible through such commercial centres.

The decline and destruction of industries were due to the extravagant Mughals who never encouraged artisans and gave commercial concessions to tradesmen. The British rule in India led to further destruction of indigenous and small-scale industries in India. The role of Indians was restricted to that of managing agents. In 1800 India was reduced to a raw material supplying region and Indian industries suffered a serious set back due to the industrial revolution in the western countries.

The beginning of modern industry can be traced to the middle of the 19th century. The British introduced the factory system in India and several factories were established in the first half of the 19th century. The pioneers of modern industrial sector were the entrepreneurs of Western India who promoted industrial growth from 1850s. Following World War I, considerable emphasis was laid on the development of local and indigenous industry and industrial development was rapid and diverse in 1930s and 1940s.5

The role of Parsis, Gujaratis and Marwadis gained importance in industrial growth over British entrepreneurship in 1955. At the time of independence, the industrial scene in India witnessed the emergence of a few large industrial or managing agency houses and their gaining control over a major part of the Indian industry.

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1.10. Post-Independence Period

The growth of entrepreneurship after independence took a revolutionary turn. The entrepreneurs in India were guided by industrial policy resolutions passed by Government of India in 1948 and 1956 and the Industries Act of 1951. Apart from large industries which received special attention, emphasis was on the promotion of small industries and enterprises. During the year 1975 the entrepreneurs who started small industries were from trading professions with ample resources. The Government also encouraged new entrepreneurs in this field through comprehensive assistance in the form of import substitution policy, credit facilities, industrial estates, hire purchase facilities for machinery and reserving certain items of production for the small-scale sector. Many organisations such as Small Industries Service Institute (SISI), District Industries Centre (DIC), Small Industries Development Organisation (SIDO), Council for Advancement of Rural Technology (CART) and Small Industries Development Fund (SIDF) were set up to promote small enterprises. Through the ‘nucleus industry’ programme, the Government encouraged the development of a core unit around which a nucleus of small units could develop. In 1987-88, a National Equity Fund was established to cater to the needs of small units. Despite the determined effort by the Government to promote a sound industrial base, the entrepreneurs faced numerous hurdles in establishing success in their respective fields.
1.11 Growth of Entrepreneurship in Tamil Nadu

The growth of entrepreneurship in Tamil Nadu is in line with the growth of industries at the national level. Subsequent to the Industrial Policy Statement of July 23, 1990, large, medium and small industrial units have been assigned a complementary role in order to have a harmonious and integrated growth of industries. The development of industries was planned to meet the plan objectives and perspectives. In order to provide further impetus to the growth of small-scale sector, New Industrial Policy was announced on July 24, 1991 and as a sequel to that the Government announced 'Policy Measures' to promote and strengthen small, tiny and village enterprises on August 6, 1991. Promotion of entrepreneurship, particularly among women, prompt settlement of small industries bills, special schemes of modernisation, technologies upgradation, quality control, integrated infrastructural development, promotion of internal marketing and exports were the package of measures implemented to promote small-scale industries.

The Second All India Census of Small-Scale Industrial Units registered with the Tamil Nadu State Directorate of Industries and Commerce up to March 31, 1988 and falling under the purview of the Small Industries Development Organisation, was conducted by the State Directorate of Industries and the Small Industries Service Institute, Madras. The reference year of the Census was 1987-88 and production
figures for 1985-86, 1986-87 and 1987-88 were collected in the Census. The Census shows the state of entrepreneurship in Tamil Nadu which is presented below.6

(a) The units registered with SIDCO up to March 1988 in Tamil Nadu were approximately 8 per cent of the corresponding bracket for India as a whole.

(b) Out of 83,267 units, 57,592 were working and 25,675 had closed. Of the 57,592 working units, 57,213 were responding (99 per cent) and the units had a total fixed investment of Rs.1,08,584 lakhs, the original value of investment in plant and machinery being Rs.62,928 lakhs (58 per cent) and the book value being Rs.37,308 lakhs. These units have provided employment to 5,36,381 people during 1987-88. Net value addition by SIDCO units was Rs.96,831 lakhs in Tamil Nadu during 1987-88.7

(c) The 57,213 working units had an installed capacity of Rs.6208 crores and they recorded production of Rs.4513 crores during 1987-88. The capacity utilisation of SIDCO sector worked out at 72.69 per cent for the States.8

(d) Of the 57,213 working units, 889 units (1.55 per cent) were exporting and exports from the SIDCO sector during 1987-88 was Rs.49,662 lakhs.

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6Report on the Second All India Census of Small-Scale Industrial Units.
7Ibid.
8Ibid.
(e) Of the 57,213 units 2,387 units were run by women entrepreneurs. Of the total of 5,36,381 persons employed in the registered SIDCO units 67,322 persons were self-employed (12.6 per cent).

Tamil Nadu is industrially advanced and Madras is the home of some of India’s largest industrial corporations. Tamil Nadu is a leader in textiles and it has been ranked fourth in industrial production after Maharashtra, West Bengal and Gujarat. In Madras city alone there is an automobile producing unit, bicycles producing unit, motor cycles, tyres, railway cars and machine tools producing units. Apart from such big units, small manufacturing units are located at various places in Madras city, particularly in Guindy Industrial Estate, the first of its kind in India. The smaller and low technology units cluster in specialised enclaves within the city.9

The small units in Tamil Nadu use advanced technologies to suit their requirements. In 1975, India’s largest manufacturer of surveying instruments was a Tamil Nadu-based small-scale industry. The entrepreneurs in Tamil Nadu have a fairly good background with majority of them not being the first in their families to become manufacturers. These units not only take advantage of incentives offered by the Government to promote industries but also provide occupational opportunity for people. Below the top level units were the smaller firms which provide ample scope

for increasing business and income. The entrepreneurs who have started business on their own were either forced by economic necessity to become entrepreneurs or had the natural desire for it.

1.12 The District Industries Centre (DIC)

DIC is an institution at the district level, that renders all services and facilities to the entrepreneurs in the district under one roof, so that, they may set up small-scale and village industries. The services and facilities include economic investigation of the potential for development, identification of suitable schemes, the preparation of a feasibility report, arrangement for the supply of machinery, the provision of raw material, quality control, research and entrepreneurial training. The main purpose of this programme has been to minimise the number of contact points that the entrepreneurs have to deal with for getting all facilities. Suitable powers have now been delegated by several departments of the State Government to DIC, so that an entrepreneur may get all the assistance he needs, from a single agency. Efforts have been made to cover each district in the country, with a District Industries Centre.

1.12.1 Objectives of the District Industries Centre

The main objectives of DIC are the following:

1. To make available the various assistances and clearances under one roof, which are required to start an industry, business or service unit.
2. To promote rural industries.

3. To develop small, cottage and village industries and to generate employment opportunities particularly among rural and backward areas, and

4. To act as a nodal agency for providing support services to the village and small entrepreneurs and

5. To maintain proper linkage with the rural development blocks and developmental institutions which are involved in grass-root activities.

1.12.2 Activities of the District Industries Centre

1. To survey the existing, traditional and new industries, to survey raw materials and human resources, to identify schemes, to make market forecasts for different items and to prepare techno-economic feasibility reports.

2. To arrange training courses for entrepreneurs of small and tiny units in association with Small Industries Service Institute

3. To ascertain the raw material requirements of various units, their sources and prices and to arrange for their bulk purchase and distribution to entrepreneurs.
4. To give particular attention to the development of Khadi and Village Industries and other Cottage Industries in association with the State Khadi Board and to organise training programmes for rural artisans.

5. To maintain liaison with the lead bank and other financial institutions, appraise process applications, monitor the flow of industrial credit in the district and arrange for financial assistance to entrepreneurs.

6. To arrange marketing outlets, maintain liaison with Government procurement agencies, provide market intelligence to entrepreneurs, organise market surveys and market development programmes.

7. To assess the machinery and equipment of small-scale, tiny and village industries and to indicate the locations, where the required machinery and equipment for different plants may be available for entrepreneurs, to maintain contact with research institutions and to arrange for the supply of machinery on the hire-purchase basis.

8. To provide immediate aid required by entrepreneurs in respect of power supply and licences from Municipal and Health Department.

9. To assist entrepreneurs in the allotment of work-shed and sites required for establishment of industries in industrial estates.

10. To help in arranging hundred per cent loans to the educated unemployed belonging to Scheduled Castes, Scheduled Tribes and socially or
economically backward communities, for starting industries under special employment schemes.

11. To help in extending suitable technical training to women entrepreneurs for pursuing self-employment schemes.

12. To assist entrepreneurs of small-scale units and rural artisans, in establishing industries, collectively through industrial co-operatives.

13. To expedite the issue of clearances and licenses to business units under a single-roof arrangement and

14. To calculate and distribute subsidies to entrepreneurs provided by State Governments under the schemes like State / Special Capital Subsidy, Low Tension Power Tariff Subsidy, Generator Subsidy, Sales Tax Waivers and Sales Tax Deferral schemes.

1.12.3 Organisational Structure of District Industries Centre (DIC)

The role of an organisation comprises the process of identifying and grouping the work to be performed. In order to achieve the stated objectives, there must be a clear delegation of authority and responsibility. So, success goes with the existence of a sound organisational structure. An attempt here has been made to study the organisational structure of DIC, the responsibility of the functionaries of DIC and their working.
As per the guidelines, each DIC was initially required to have one General Manager and seven Functional Managers. The functional managers look after the following divisions:

1. Economic investigation
2. Machinery and equipment
3. Research, extension and training
4. Credit
5. Raw material
6. Marketing and
7. Cottage industries

The General Manager holds a key position and has been responsible for the overall co-ordination and development of industries in the district. The General Manager of DIC has the rank of Joint Director in the Department of Industries and Commerce. He is responsible for the development of village industry also, in the district. He is assigned the duty of supervising and reviewing the work of his subordinates of attending district level co-ordination committee and other meetings, ensuring the implementation of action-plans drawn up for promoting and developing small-scale, village and cottage industries in the district.
He holds the post of Chairman of the Task Force Committee of DIC, which is responsible for the selection of candidates for Prime Minister’s Rozgar Yojana (PMRY) Scheme. He has to provide leadership to the team. He should be fully familiar with the process of industrialisation, administrative procedures and techniques associated with them.

The power of sanctioning State capital and special capital subsidy is vested in the hands of the General Manager. He is also responsible for issuing eligibility-certificate to the industrialist to avail low tension power tariff subsidy, to recommend to Commercial Taxes Departments for the waiver and deferral of sales tax, for the eligible industrial units.

The Manager of Economic Investigation is assigned the task of investigating the potentialities of the district for industrial development. He has to arrange for structural facilities, to the existing as well as potential entrepreneurs.

The Manager of Machinery and Equipment assesses the requirements of machinery and equipment needed by various small-scale, tiny and village industries. His duty is to ascertain the sources of supply of machinery and equipment. He has the list of suppliers of machinery and equipment, the price-lists and keeps the entrepreneurs advised about these. He also helps in placing orders. He assesses the need for simple machines in rural industries. He maintains regular contacts with the
National Small Industries Corporation (NSIC), guides the entrepreneurs who have registration certificates, for the purchase of machinery and equipment.

The Manager for Research, Extension and Training has to identify the problems of entrepreneurs, with regard to the quality of raw material, production methods and processes. He is expected to be helpful in guiding the entrepreneurs, in the selection of product-lines for manufacturing. He has been given the responsibility of conducting training courses in production for the entrepreneurs engaged in the small and tiny units. He is responsible for the conduct of training programmes under PMRY scheme, and for Women Entrepreneurship Development Programmes.

The presence of a separate manager for credit in DIC is a boon to the small industrial units and to the artisan who approaches DIC for guidance and assistance. The foremost task of the Manager for Credit is to prepare the Annual Credit Plans for the Industrial Development of the district. While preparing this, he considers the Action Plan for the district prepared by DIC. Identification and rehabilitation of sick industrial units is another task for the Manager for Credit. With the help of his technical staff, he has to diagnose the sickness. He has been given the work of sanctioning and disbursing seed money/margin money assistances to the beneficiary. He has to help the applicants in filling the applications to various financial institutions, in particular, scheduled commercial banks. He is a Member-Secretary of
the District Task Force Committee, which is responsible for the implementation of PMRY schemes in the district. In the absence of the General Manager of DIC, he attends the meetings arranged by commercial banks and financial institutions like SIDCO, TIIC and NABARD.

The Manager for raw material has been assigned the task of locating the sources of different raw materials and their current market prices. He may help the industrial units in arranging for bulk purchases of raw materials on a co-operative basis.

The Manager for marketing is given the responsibility of organising market surveys and market development programmes. He also organises marketing outlets. He has to work as a liaison officer with the Government procurement agencies. To encourage and assist the small-scale industries, the Central Government has reserved the produce of small-scale industries to be purchased by the Central and State Government on a priority basis.

The Manager for Cottage Industry has been designed specifically to look after the needs of cottage industries. He has to look after the handlooms, handicrafts, sericulture, khadi and village industries. To organise training programmes to the rural artisans is also his allotted work. He is in liaison with State Khadi Board and other Government agencies.
1.12.4 Restructuring of the District Industries Centre

The Industrial Policy Statement of July 23, 1980, announced by the Central Government, aimed at making certain effective alternatives to the present programme of DICs. For this purpose an evaluation study was conducted. It was decided to study the effectiveness of present programmes of DIC, one each from Northern, Eastern, Southern, Central and Western regions. A study team was constituted, with representatives from the Ministry of Industry, the Ministry of Commerce, The Reserve Bank of India, the Development Commissioner, Small-Scale Industries and the Ministry of Rural Industries. The State Governments were requested to give their opinions, views and their suggestions in respect of promotional and administrative aspects of DIC programmes. Based upon the findings of the study team and the recommendations of the State Governments, the Central Government made many changes to ensure efficient and effective functioning of the programmes. The staffing pattern has been made more flexible. Under the restructured staffing pattern, each DIC has one General Manager, four Functional Managers and three Project Managers in disciplines that are relevant to the requirements of a district.

1.12.5 Project Managers

According to the Guidelines (Revised) issued by the Central Government in 1983, the State Governments are expected to appoint a maximum of three Project
Managers. They are assigned the task of providing technical assistance to the project activity needed by the entrepreneurs in the district. They are required to render services to the new and existing entrepreneurs. Qualified and trained Project Managers in DIC are a great boon to small entrepreneurs.

The 40th Public Accounts Committee Report suggested that the State Governments should take immediate steps to appoint Project Managers. The then Union Minister J. Vengal Rao was of the opinion that the Project Managers should be technical officers to provide necessary technical inputs to the entrepreneurs. Technical assistance cannot be provided effectively in the absence of Project Managers in DIC.

1.12.6 Delegation of Powers

In order to strengthen DIC and also to facilitate effective functioning, several steps have been taken recently. These include the delegation of powers to the General Manager of DICs. By and large, the State Governments have taken steps to delegate to DIC most of the administrative and functional powers of the Director of Industries as well as those under Import Trade Control Policy. In addition, powers of the other departments have also been delegated either to DIC or to the Chairman of the District Advisory Committee. In Orissa, almost all the powers of the Industries Directorate have been delegated to the General Manager of DIC.
1.12.7 DIC as a Co-ordinating Agency

DIC, which has been created essentially as a co-ordinating agency, seeks guidance from the existing agencies and uses the expertise so gained for the benefit of small-scale units and cottage industries by maintaining close contact with the development blocks entrusted with the task of Integrated Rural Development.

All the activities relating to Handlooms, Handicraft, Coir Board, Silk Board, Khadi and Village Industries Commission are integrated with those of DICs. Figure 1 shows the co-ordinating agencies of DIC.

CO-ORDINATING AGENCIES OF DIC

![Diagram showing the co-ordinating agencies of DIC](FIGURE 1)
1.12.8 Monitoring of DIC

The activities of the District Industries Centres are subject to monitoring at the District and State levels.

1.12.9 District Advisory Committee

The Collector of the District provides effective co-ordination between DIC and the State Government Departments, non-official agencies and local bodies in the task of assisting entrepreneurs, as head of the District Advisory Committee. This Committee meets once in a month or once in two months. The Committee approves the action plan prepared by DIC and reviews the implementation of various schemes under the DIC programmes, the progress in the establishment of the Small and Village Industries and Artisan Development Programmes. It periodically suggests measures for improving performance. The highest priority is given to view points of banks and all concerned for the successful implementation of the scheme, in particular, the recovery of loan amounts from the entrepreneurs.

1.12.10 State Level Committee

To supervise and monitor the work of DIC the Government constituted a State Level Co-ordination Committee with the Minister of Industries as Chairman and the Chief Secretary, the Director of Industries, the Secretary for Rural Development, the
Secretary for Agriculture, the Director of SISI, the Secretaries in-charge of Agriculture, the Commissioner in-charge of Panchayat Raj institutions, as members.

The State Level Co-ordination Committee meets once in six months to review the activities of DIC and report to the Government of India on their progress.

1.12.11. DIC in Tirunelveli District

In Tamil Nadu there are 29 District Industries Centres functioning as on March 31, 2000. One of the Centres is in Tirunelveli district, which commenced its activity in 1978.

1.12.12 Promotional Activities

DIC has been performing many promotional activities for the benefit of the potential entrepreneurs who aim at commencing business ventures.

1.12.13 Single-Window Clearance Committee

While setting up an industry, many licences and clearances are to be obtained from various Government Departments like Pollution Control Board, Tamil Nadu Electricity Board, Fire Services, Town-Planning Department, Public Health Department and Office of the Inspector of Factories. Further approval of local bodies, like Panchayats, Municipalities and Municipal Corporation also has to be obtained.
In order to avoid hardship to the entrepreneurs in getting licenses and clearances, the Government has declared DIC as a single-window agency. The entrepreneur who has problems in getting clearances from the local bodies for his business or industry may submit his application to DIC. The Single-Window Committee has been functioning at the District level, under the Chairmanship of the District Collector, with the General Manager of DIC as Vice-Chairman and the representatives of various licensing authorities as members.

DIC assists the entrepreneurs and Small-Scale Industries in getting various licenses and clearances. Normally DIC is expected to get necessary clearances within 60 days. In case of any delay, the case is brought before the District Single-Window Clearance Committee. These matters would be raised in the Single-Window Committee meeting in which the Department concerned will answer the problems raised. The District Collector as the Chairman of the Committee may provide the necessary guidelines in getting enough co-ordination among Government functionaries. The Committee normally meets once in a fortnight. The disputed cases are referred to the State Level Single-Window Committee.

In order to be effective there should be better co-ordination among all Government and Non-Government organisations so that DIC could provide a single-window for entrepreneurs and serve as a focal point for industrial promotion.
Table 1.1 shows the number of applications received from the entrepreneurs by the Single-Window Committee and the number of cases attended to by the Committee.

**TABLE 1.1**

**NUMBER OF APPLICATIONS RECEIVED AND THE APPLICATIONS ATTENDED TO BY THE SINGLE-WINDOW COMMITTEE FROM 1993-94 TO 2002-03**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Applications Received</th>
<th>Per cent Increase / Decrease</th>
<th>No. of Applications Disposed</th>
<th>Per cent Increase / Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>56</td>
<td>--</td>
<td>43</td>
<td>--</td>
</tr>
<tr>
<td>1994-95</td>
<td>55</td>
<td>-1.78</td>
<td>47</td>
<td>9.30</td>
</tr>
<tr>
<td>1995-96</td>
<td>32</td>
<td>-41.82</td>
<td>26</td>
<td>-44.68</td>
</tr>
<tr>
<td>1996-97</td>
<td>60</td>
<td>87.50</td>
<td>54</td>
<td>107.69</td>
</tr>
<tr>
<td>1997-98</td>
<td>43</td>
<td>-28.33</td>
<td>39</td>
<td>-27.77</td>
</tr>
<tr>
<td>1998-99</td>
<td>36</td>
<td>-16.28</td>
<td>30</td>
<td>-23.07</td>
</tr>
<tr>
<td>1999-2000</td>
<td>54</td>
<td>50.00</td>
<td>44</td>
<td>46.66</td>
</tr>
<tr>
<td>2001-2002</td>
<td>87</td>
<td>107.14</td>
<td>61</td>
<td>60.53</td>
</tr>
<tr>
<td>2002-2003</td>
<td>76</td>
<td>-12.64</td>
<td>70</td>
<td>14.75</td>
</tr>
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</table>


Table 1.1 reveals that the number of applications received by the Single-Window Committee was 56 in 1993-94, which rose to 76 in 2002-03. The trend
per cent was the maximum of 107.14 in 2001-02 followed by 50 per cent in 1999-2000. It was due to the receipt of more number of applications from the entrepreneurs requesting for the early settlement of problems relating to power connection from the Electricity Board. There was a negative trend of 41.82 per cent in 1995-96.

The table also shows that the number of applications disposed of by DIC in the meeting stood at 43 in 1993-94, which increased to 70 in 2002-03. The trend shows varying results. The maximum trend per cent of 107.69 was noticed in 1996-97 followed by, 60.53 in 2001-02. The Department of Industries and Commerce had given suitable instructions to the speedy disposal of application.

1.12.14 Motivation Campaign

DIC invites participants through all available media of advertisement and conducts motivation campaigns in all the head-quarters of the Panchayat Unions of the district. The District Industries Centre gives publicity of all the facilities given by it for the uplift of the industries. In the campaigns, entrepreneurs are identified and they are motivated to start new business ventures.

The newly identified entrepreneurs are contacted by the field staff of DIC who guide the entrepreneurs in getting power connection, getting the plans approved in
the Town Planning Office, explaining the sources of finance and other assistance as may be required by the entrepreneurs. They also take follow-up action.

1.12.15 Industrial Information and Dissemination Meeting

An entrepreneur, who is in the process of setting up an industry, has to visit many agencies and collect information on their services. It involves considerable amount of energy and time. In order to reduce the hardship of the prospective entrepreneurs in starting the industrial units, DIC conducts Industrial Information and Dissemination Meetings periodically in all Panchayat Unions in rural and urban areas. During such meetings up-to-date information on Government policies and assistances and incentives available for starting industrial units are provided to the new entrepreneurs. Further in this meeting various agencies, financial institutions and Government departments participate to highlight their services and counsel the prospective entrepreneur. The programmes have created considerable interest among the prospective entrepreneurs as they have the opportunity of interacting with all the agencies in one place. The details of Motivation Campaign and Industrial Information and Dissemination meetings conducted by DIC, Tirunelveli, are given in Table 1.2.
Table 1.2 reveals that the number of motivation campaigns conducted was 20 in 1993-94, which increased to 32 in 2002-03, which was more than one and a half-times increase. The trend per cent was 16.66 in 1998-99 followed by 10 per cent in 1994-95. It has been due to the concentration of DIC in the conduct of regular campaigns in various blocks of the district.
The Table also shows that the Industrial Information and Dissemination meetings had steadily increased from one in 1993-94 to seven in 2002-03, which was a 7-fold increase. The trend shows a 100 per cent increase in 1996-97 followed by 50 per cent in 1997-98. It was due to the decision of DIC to conduct a minimum of two meetings every year.

1.12.16 Project / Product Profiles

The project / product profiles contain information relating to the manufacturing of the product, volume of investment, expected demand for the product, the addresses of machinery and equipment suppliers and the raw material suppliers. The common project / product profiles have been prepared by DIC taking into account, the demand in the local market. Table 1.3 reveals the number of project / product profiles prepared by DIC during the study period.
TABLE 1.3

NUMBER OF PROJECT / PRODUCT PROFILES PREPARED BY DIC

FROM 1993-94 TO 2002-03

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Project / Product Profiles</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>21</td>
<td>100.00</td>
</tr>
<tr>
<td>1994-95</td>
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<tr>
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</tr>
<tr>
<td>1999-2000</td>
<td>98</td>
<td>466.66</td>
</tr>
<tr>
<td>2000-2001</td>
<td>130</td>
<td>619.04</td>
</tr>
<tr>
<td>2001-2002</td>
<td>142</td>
<td>676.19</td>
</tr>
<tr>
<td>2002-2003</td>
<td>147</td>
<td>700.00</td>
</tr>
</tbody>
</table>


It is evident from Table 1.3 that the number of project / product profiles prepared by DIC was 21 in 1993-94, which increased to 147 in 2002-03, which was a 7-fold increase. The number of project/product profiles prepared steadily increased year after year. The index shows that in 2002-03, 147 profiles had been prepared, while it was 21 in 1993-94.