CHAPTER 2

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CHAPTER 2

THE CONCEPT OF ENTREPRENEURSHIP DEVELOPMENT

The importance of entrepreneurship as a major determinant of the rate of economic growth is fully recognised by the academicians, economists, psychologists, sociologists, political scientists and also the state. A fact that industrial enterprise and economic growth are correlated and the activity of an entrepreneur is necessary for launching an industrial enterprise has now become obvious to all. In view of the scarcity of entrepreneurial talents in developing countries, attempts are now made to promote and develop entrepreneurship so that it can act as the much needed stimulant in economic growth. This chapter deals with the theories of entrepreneurial supply, the factors necessitated the development of entrepreneurship, need for entrepreneurship development in India and the process of entrepreneurship development.

THEORIES OF ENTREPRENEURIAL SUPPLY

The emergence of entrepreneurs in a society has been studied by several researchers who have put forward various theories analysing their occurrence. Religious, socio-cultural, psychological and economic factors are identified by these theories as the causes responsible for the emergence of entrepreneurs. As such the theories explaining the sources of entrepreneurial supply can be classified into three broad groups based on the factors to which they attribute the emergence of entrepreneurs.
They are:

1. Theories Emphasising Religious and Socio-cultural Factors.
2. Theories Emphasising Psychological Factors.
3. Theories Emphasising Economic Factors.

1. Theories Emphasising Religious and Socio-Cultural Factors

Religion and its impact on enterprising culture were first analysed by Max Weber in the western context. Weber postulated that entrepreneurial growth was dependent upon ethnic value system of the society concerned, that rapid industrial growth was dependent upon a rationalised technology, acquisition of money and its rational use, productivity and multiplication of money and that entrepreneurship dependent upon rational attitude towards action.

According to Weber the "spirit of capitalism" is a set of attitudes towards the acquisition of money and the activities involved in it. Weber states that this "spirit of capitalism" cannot generate in itself where widely spread mental attitudes favourable to capitalism are not present and that the Protestant ethnic provides this mental attitude. Weber extended his analysis to Indian conditions. According to him the "spirit of capitalism" was absent in religious belief system of Hinduism.

Max Weber, at the same time, in interpreting the spirit of enterprise among Jains, locates approximated "Protestant ethics" amongst Jains. In Indian condition, Weber's analysis for the presence of spirit of capitalism in Jain community fails completely. One thing is certain, Jainism with it stress on Aparigraha (non-attachment), Ahimsa (non-violence), Aastey (non-stealing) and Brahmacharya (desirelessness) are neither less ascetic nor less otherworldly than Hinduism.
Therefore, the Weberian model is inadequate to explain the entrepreneurship in Indian situation.

The importance of socio-cultural factors as the driving force behind entrepreneurial emergence has been emphasised by Cochran, Stokes, Hoselitz, Kunkel and Young.

Cochran\(^4\) emphasises cultural values, role expectations and social sanctions. According to him, the entrepreneur represents society's nodal personality. His performance is influenced by three factors, namely, his own attitude towards his occupation, the role expectations had by sanctioning groups and the operational requirements of the job. Society's values are the most important determinants of the first two factors.

Stokes\(^5\) has also emphasised the importance of social and cultural values, which channel economic action. According to Stoke entrepreneurship emerges as a result of the way in which the entrepreneurial role is perceived by the collectivities, which are held in high esteem by the prospective entrepreneur. According to him, whether or not a person with high need achievement chooses industrial entrepreneurship over other possibilities depends on cultural values and not psychological dispositions may be seem as conditions for an individual's movement into industrial entrepreneurship, but it is the group generated value matrix that channels him away from or towards such activity.

Hoselitz\(^6\) underlines the importance of culturally marginal groups in promoting economic development. He hypothesises that marginal man, because of their ambiguity status from a cultural or social standpoint with little bondage to
tradition are ideally suited to make adjustments in situations of change and become good entrepreneurs.

Kunkel has elaborated a behaviouristic model of entrepreneurship. It is pointed out that entrepreneurs are not equally distributed in the population and minorities (religions, ethnic, migrated, displaced elites) have provided most of the entrepreneurial talent. But all the minorities are not important sources of entrepreneurship. Therefore, Kunkel argues that the marginality does not guarantee entrepreneurship. There must be some additional significant factors at work. According to him the industrial entrepreneurship depends upon four structures present within a society or community viz., limitation structure, demand structure, opportunity structure and labour structure. The limitation structure restricts the behavioural pattern of a population segment i.e., society limits specific activities to members of a particular sub-culture. This limitation structure affects all the members of the society. The demand structure is mainly economic in nature (also not static) and changes with economic progress and government policies. Demand structure can be improved by providing material rewards. By manipulating certain selected components of the demand structure, behaviour of people can be shaped in an entrepreneurial way. The opportunity structure is necessary to increase the probability of entrepreneurial activity. It includes the availability of capital, management of capital, management and technological skills, information concerning production methods, labour and markets, opportunity to learn directly or through imitation and all the activities associated with the effective planning and successful operation of industrial enterprise. Kunkel states that labour means "men" and is a function of several variables. The supply of labour is governed by available alternate means of livelihood, traditionalism and expectations of life.
Frank W. Young is not ready to accept the entrepreneurial characteristic at the individual level. His theory of entrepreneurial supply is a group theory. According to him, instead of individuals, one must find clusters, which may qualify itself as entrepreneurial groups, as the groups with higher differentiation have the capacity to react. He proposes that a group experiencing low status recognition and denial of access to important social networks and in possession of a greater range of institutional resources than other groups in the society at the same level will become reactive to improve its position. Young defines reactiveness as the degree to which the members of the group create, maintain and project a coherent definition of their situation. Such reactiveness leads to the emergence of entrepreneurs.

2. Theories Emphasising Psychological Factors

The impact of psychological factors in the emergence of entrepreneurs has been emphasised by McClelland and Schumpeter.

McClelland, like Hoselitz, ascribes the innovative characteristics to entrepreneurial role. He identified two characteristics of entrepreneurship viz, doing things in a new and better way and decision making under uncertainty. McClelland’s theory can be looked as a development of Weber’s "Protestant ethic". When he implicitly introduced the concept of need for achievement as a psychological motive. McClelland, more explicitly, emphasised the need for achievement or "N-ach" in individual leads them to pursue entrepreneurial ventures. According to him, achievement motive is inculcated through child rearing practices, which stress standards of excellence, material warmth, and self-reliance training and low father dominance. McClelland believed that N-ach was difficult to be acquired during
adulthood. If economic growth had to be speeded up, individuals with high N-ach had to be developed. This could be achieved through persuasion or education by introducing changes in the social system and by early character training.

However, in a later study, he altered his proposition and ascribes changes in motivation to the ideological arousal of latent need for achievement among adults typically associated with a new sense of superiority. Thus, the need for achievement could be instilled among adults through appropriate training.¹⁰

Schumpeter's entrepreneur possesses special characteristics, such as an intuitional capacity to see things in a way which afterwards proves to be true, a kind of effort of will and mind to overcome fixed habits of thinking and the capacity to surmount social opposition against doing something new. According to him, entrepreneurs occur randomly in any ethnically homogeneous population. They are individuals motivated by the dream and the will to a private kingdom, the will to conquer and the joy of creating or simply of exercising one's energy and ingenuity.

3. Theories Emphasising Economic Factors

The economists view is a counter – hypothesis to all the view points of entrepreneurial supply and is evident in empirical studies of G.F. Papanek.

Papanek¹² maintains that the emergence of entrepreneurs is dependent on strong economic incentives and disincentives. According to him, the psychological drive for pecuniary gain or the desire to improve real incomes is present in all the societies, what matters is the economic environment. In the face of strong economic incentives even groups with little or no industrial background come forward to set up industries. If there is lack of vigorous entrepreneurial response in manufacturing, it is
due to various kinds of market imperfections and inefficient policy making. He cites the case of Muslims in Pakistan who had little entrepreneurial history before partition, but responding to economic incentives and disincentives developed a vigorous entrepreneurial group.

The political economy paradigm of Flavia Derossi holds political power as a paramount factor in entrepreneurship development in all new developing countries. Proximity, though not necessarily in the geographical sense, or access to the sources of power, may be the determinant factor of private investment.

The study of theory of entrepreneurial supply reveals that, majority of the theories offer only a historical interpretation of how entrepreneurs emerge in a society without putting forward a proposition as to the ways in which the emergence of entrepreneurs can be facilitated. But McClelland's theory suggests that entrepreneurs can be developed through training. An implication of Papanek's theory is that entrepreneurs can be induced to emerge through the provision of economic incentives.

**ENTREPRENEURIAL SUPPLY AND NEED FOR ENTREPRENEURSHIP DEVELOPMENT IN INDIA**

Entrepreneurial activity needs an environment conducive to its growth. It involves assumption of considerable risk by the entrepreneur. According to Cole the environmental conditions which influence the origin of an entrepreneurial class include the stable government, external security and internal security. An analysis of the industrialisation process within a country and of the concomitant behaviour of the entrepreneur needs, therefore, a study of the interplay of host such factors. A complex economic and social behaviour such as entrepreneurship can scarcely develop in an
unfavourable setting. The purpose of this part is to give a picture of Indian entrepreneurial history in the pre-independence period and post-independence period and need for entrepreneurship development in India.

**Pre-Independent Scenario**

The Indian entrepreneurial history, from times immemorial, has been characterised by a kind of stratification on religious and regional basis. The social value system in India with its rigid segregation of occupation on caste basis is said to have affected the growth of entrepreneurship. Max Weber contended that religious belief system of Hinduism did not encourage the "spirit of capitalism" and thus discouraged the growth of entrepreneurship. Sharma is of the view that Hindu society was conceived as "homo hierarchius" where caste groups were rigidly separated from each other on functional basis - a feature which perpetuated the practice of following the family occupation leaving little scope for mobility between one occupation and another. Among the Hindus, the Bania was such a caste, which mainly dealt in commodities and carried on money lending business. The Banias, though came third in caste hierarchy enjoyed an enviable position in the urban centres. Where the caste system was relatively loose, the danger of ostracisation absent and the trading castes missing, people of other castes also moved into these occupations and came to be regarded as members of the business community.

By the middle of the 19th century, the Parsis and Gujarati trading castes became the wealthiest Indian communities controlling whatever foreign trade was in the Indian hands. In south-India the trade and industrial activities were controlled by Chettis, Chettiaras, Nagrani Mappilas, Moplah and Konkanis. According to Sharma, the entrepreneurial history of a hundred-year preceding independence reveals that
apart from Parsis, the Bania caste, whether from Gujarat, Rajasthan or Tamilnadu dominated the industrial scene. In the eastern part, the Subarna Banikas in Bengal participated in trade, industry and banking along with their British principals. But with the consolidation of British political power, Subarna Banikas gradually disappeared from the industrial scene. There was another important and fairly developed business community called 'Marwaris' hailing from Marwar in Rajasthan. They attained greatest development in Gujarath and Rajasthan. But even during first half of the 19th century, Rajaputhana was ravaged by feudal strife and it was by no means an ideal place for large scale trading and money lending operations, therefore necessitated to seek new opportunities beyond its borders. In the absence of Bania element in Maharastra, Yajurvedi Brahmins and Chitpavan Brahmins took considerable part in trading, banking and moneylending.

It is established that trading pursuits have been the source of entrepreneurial activity every where, but once the roots of industrialisation have been laid, one expects that the enterprising spirit permeates among people from other occupations also. The experience in the U.K. and U.S. suggests that a new element - men with technical skill entered entrepreneurship. They set up shops - enterprises that often grew into sizeable factories. They were neither engineers nor academically trained persons, but possessed useful instincts or had acquired a practical skill.  

The beginning of the 20th century witnessed the emergence of Marwaris and Chettiars of Tamilnadu on the industrial scene. The Marwari entrepreneur came to industry in large numbers as a result of flush of post-war prosperity, whereas the Chettiars came to industry as a result of being un-welcome elsewhere and wanted to find use for their accumulated resources in their own country.
The Indian industry, which was basically a cottage and small scale, declined at the end of 18th century for various reasons, such as the disappearance of Indian courts, competition from big units, establishment of an alien rule. With the influx of the many foreign influences and absence of broad based market. The modern industry came to India in the middle of the 19th century as an aftermath of the industrial revolution in England. The British were looking for wider markets for mass production of their factories and consequently involved the Indian market with their factory products. In the process the Indian handicraft industry was destroyed. The colonial regime was not serious about Indian industrialisation and never conceive of promoting widespread growth of entrepreneurship. Vasanth Desai writes that "it was calculated discrimination, perpetrated against the Indian industrial interests, which scuttled the growth of native entrepreneurship". However, the Swadeshi movement which was launched by Indian political leadership in October 1905 aroused the sentiments and emotions of people and a serious feeling against the British products was generated. As a result, many numbers of industries were established with the help of Indian investment and under Indian management.

K.S.N. Bhat writes that "the British regime did not give enough stress for the development of entrepreneurship. It is only during the post-independence era that government started proclaiming many concessional measures to give fillip for the growth of industries".

The examination of the entrepreneurial history reveals that several factors are responsible for the slow growth and absence of broad-based entrepreneurship in the pre-independent India. They include caste system, colonial rule, joint family system, cultural traditions and the like. Besides these, the educational system was so geared as
to turnout clerks. No importance was attached to development of technical abilities or executive skills. The legal profession and administrative services attracted the most brilliant and highly ambitious young men. As the government did not ascribe any high value to the entrepreneurial class, society continued to bestow the greatest prestige on intellectual or non-material pursuits. This situation is continued in the post-independent period also. Further, as the liberation movement gained momentum, many talented young men drifted towards political activity.

The industrial development/entrepreneurial development depends on the availability of economic incentives. Otherwise only the highly resourceful could think of launching an industrial enterprise. Gadgil maintains that a number of factors such as lack of capital, lack of organised banking, inefficient labour, lack of fund, difficulty in obtaining cheap power, lack of working in metals, especially iron and steel, early development of railways which laid the country open for foreign competition, lack of facilities for technical education and indifference of the government to industrial development resulted in the slowness of industrial development in pre-independent India.

**Post-Independent Scenario**

In the post-independent period, the emergence of state as an entrepreneur through the creation of the public sector is an important feature of the entrepreneurial growth in India. This sector has discharged its entrepreneurial role by establishing many industries which were not present in the country before independence. The state has also offered several concessions, subsidies, privileges and established a network of specialised financial institutions to create a positive environment for private industrial investment. The policy resolution of the state also pointed out an important
role to the small scale private sector for the diversification of industry to the backward or underdeveloped areas and its ability to generate employment opportunities.

The nationalisation of Life Insurance Corporation in 1955, however, created a doubtful atmosphere in the private sector. Therefore, the government has come out with a new industrial policy resolution and assured the existing private sector enough work in a reserved sphere and also stressed the need for state stimulation for the growth of private sector. As a result, in the private sector, the family based entrepreneurs like Tata, Birla, Goenka, Mafatlal, Kirloskar, Dalmia and others established new frontiers and abnormally expanded the existing units. These entrepreneurs diversified the industrial base of the economy in this period. Also, a new class entrepreneurs has emerged and set up large business houses.

The pre-independent entrepreneurial picture reveals that entrepreneurship is a prerogative of certain communities/castes and family backgrounds much influences the emergence of it. But the role played by the state in the post-independent period has resulted in the emergence of entrepreneurs in the small scale sector from diverse social and economic backgrounds. The studies conducted by Sharma, Oamen, Bena, Mishra and Bisht have confirmed that entrepreneurship is no longer confined to the trading communities and that the entrepreneurs have emerged from varied backgrounds.

On the contrary, the studies conducted by Deshpande, Sharma and Singh, Bhanushali and Acharya have reported that in post-independent India, entrepreneurs still emerge mainly from trading castes and families with a business or industrial background. In a study of 90 entrepreneurs in Marathwada region of Maharastra, Deshpande found that as much as 55 percent came from business castes.
Sharma and Singh found that caste background of the entrepreneurs had significant influence on the entrepreneur entry into manufacturing (along with family background), the expansion of the business and perception of business stability. In a study of 125 entrepreneurs in Kolhapur, Bhanushali found that caste, education and parental occupation had greater influence on attaining higher degree of entrepreneurial success. Acharya has reported that exceptions apart, entrepreneurs mostly hail from certain castes who have a tradition of business in their family.

The post-independence era has thus seen the emergence of new class of entrepreneurs, expansion and diversification by old industrial houses, the growth of state entrepreneurship and also the entrance of multinational corporations on the industrial scene. Despite all this, the fruits of industrial progress have not reached all sections of the society and all regions of the country. Poverty and unemployment continue to plague the Indian populace. This can be partly attributed to the absence of a broad-based entrepreneurship in the country, which has particularly affected the development of modern small scale industry.

The importance of small entrepreneurs to the economic development of the country cannot be underestimated. A broad-based entrepreneurship is essential for India to achieve a decentralised industrial structure. It will also help to alleviate many economic and social problems like wide-spread unemployment, growing terrorism, growth of anti-national elements, non-utilisation of existing natural resources, lopsided regional development and poverty. The importance of small entrepreneurs is stressed by Berna who maintains that given the high propensity to imitate in developing countries, these entrepreneurs can set in motion a chain reaction, which leads to cumulative progress.
The apparent scarcity of small entrepreneurs in India and the need for a large number of small entrepreneurs to meet the nation's aspirations of rapid industrialisation and balanced regional growth, coupled with the fact that the country lacks a broad-based entrepreneurship, thus underlines the need for entrepreneurship development in India.

THE PROCESS OF ENTREPRENEURSHIP DEVELOPMENT

ENTREPRENEURSHIP - CONCEPT

The term "Entrepreneurship" is often used synonymously with the entrepreneur. Though they are the two sides of the same coin, conceptually they are different. Entrepreneurship is the mission whereas the entrepreneur is the missionary. The Entrepreneur is essentially a business leader and the functions performed by him is entrepreneurship. In other words, entrepreneurship is the quality or attitude of being an entrepreneur. While entrepreneur is an individual, entrepreneurship is an attribute possessed and practiced by an entrepreneur. It is a creative and innovative response to the environment.

Entrepreneurship is a multidimensional task defined differently by different authorities. The few such definitions are as below.

A.H. Cole defined "entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organise a profit-oriented business unit for the production or distribution of economic goods or services".

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Benjamin Higgins has defined entrepreneurship as "the function of foreseeing investment and production opportunity, organising an enterprise to undertake a new production process, raising capital, hiring labour, arranging for the day to day operation of the enterprise."

Thus, entrepreneurship can be defined as the process of doing the innovation, taking the decision, assuming the risk, bearing the uncertainty, making the organisation, skillfully managing the enterprise and making the enterprise a success.

ENTREPRENEURSHIP DEVELOPMENT

Development of entrepreneurship has become a movement in India. It is cardinal and more crucial to industrial development than any other economic factor. It has got added relevance due to massive unemployment of both educated and uneducated.

In a broad sense, development of entrepreneurship refers to all those activities undertaken to encourage a prospective entrepreneur to setup an industrial unit. In a narrow sense, it refers to the process of bringing out the "entrepreneur" in an individual. In other words, instilling in a person, the urge to setup an industrial unit or undertaking the entrepreneurial activity and providing him with training in all aspects of establishing and managing an industrial enterprise. Entrepreneurship development is the outcome of the fact that individuals can be developed and their ideas can be converted into action through an organised and systematic programme for the entrepreneur. It includes all activities aimed at encouraging the growth of entrepreneurship and can be grouped in two types, indirect approach and direct approach.
1. INDIRECT APPROACH TO ENTREPRENEURSHIP DEVELOPMENT

The indirect approach to entrepreneurship development includes all those measures which are intended to create a suitable environment for the entrepreneur to operate in. These measures include provision of financial assistance, financial incentives like tax concession, subsidies, concessional finance, preference in government purchase, creation of infrastructural facilities, encouraging capital formation etc.

The assumption underlying this approach is that the various financial facilities available, would induce people to setup industrial units. The availability of adequate infrastructural facilities would make their endeavour easier.

In India, lack of adequate sources of long term finance was the major deterrent for new entrepreneurs. To rectify this lacuna, financial institutions like the Industrial Development Bank of India (IDBI), the Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corporation of India (ICICI) and the State Financial Corporations (SFCs) were established to provide long term loan as well as loans to meet seed capital requirements. These institutions underwrite the issue of shares and debentures to enable corporate entrepreneurs to raise capital. They have devised several schemes under which finance is made available on concessional terms. Some of these schemes are specially devoted to meet the financial requirements of first generation entrepreneurs. In recent years the government and the financial institutions have formulated the schemes like hire purchase assistance, factoring services and leasing finance to meet the requirements of the entrepreneurs.
The government has established industrial estates throughout the country to encourage new entrepreneurs. An industrial estate is "a group of factories constructed on a economic scale in suitable sites with facilities of water, transport, electricity, banks, post-offices, canteen, watch and ward and first aid provided with special arrangements for technical guidance and common service facilities".36

The other facilities provided to entrepreneurs include marketing assistance, equipment leasing, sale of machinery on hire purchase basis, pro-to type development and R&D facilities through various government sponsored institutions.

2. DIRECT APPROACH TO ENTREPRENEURSHIP DEVELOPMENT

The direct approach focuses on the development of the man rather than the environment. The aim is to train people to perform the role of the entrepreneur. It consists of developing entrepreneurial aptitude among those people with identifiable entrepreneurial traits. Training is provided to these potential entrepreneurs in all aspects of establishing and managing an industrial enterprise. The training agency even assists them in selecting a project and setting up the unit.

In the early seventies, the Indian government had realised that the fruits of development were concentrated in a few areas and classes and that the income and regional disparities had increased. Also, that merely providing the fiscal and financial incentives was not adequate for promoting new entrepreneurs. It was felt that for cultivation of first generation entrepreneurs a more systematic effort was required. Under the fifth five year plan the government made provision for entrepreneurship promotion by providing a package of consultancy services through a network of Technical Consultancy Organisations. In addition to that, the government adopted the
Entrepreneurship Development Programme as an important instrument to develop small entrepreneurs in the country.

**ENTREPRENEURSHIP DEVELOPMENT PROGRAMME (EDP)**

An Entrepreneurship Development programme has been defined as "a programme designed to help a person in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively".  

An EDP is a device through which people with latent entrepreneurial traits are identified, motivated to take up an industrial venture, trained in managing the unit viz., locating a suitable project, testing its economic viability and technical feasibility, complying with government rules and regulations and obtaining finance.

The credit of sowing the seed for EDP in India can be given to Dr. D.C. McClelland, a noted psychologist from the Harvard university. After extensive research, he had concluded that the economic development of a nation depends mainly on the inner decision and entrepreneurial aspirations of the people. Inspired entrepreneurs utilise the resources and become instrumental to economic growth of the nation. He called it "The Achievement Motivation " syndrome.

EDP was first introduced in 1970 in Gujarat and was sponsored by the Gujarat Industrial Investment Corporation (GIIC). Afterwards, several financial corporations, government departments and organisations started such a promotional programme.

**Objectives of Entrepreneurship Development Programme**

The objectives of EDP which have been identified are as follows:
1. To foster entrepreneurial growth in the country particularly in the small sector and to secure wider dispersal of entrepreneurship.

2. Optimum use of available resources.

3. To let the trainee set or reset the objectives of his business and work individually and along with his group for their realisation.

4. To develop a broad vision to see the business as a whole and to integrate his function with it.

5. To enable the trainee to cope with and coordinate the different types of paper work, most of which are statutorily obligatory.

6. To strengthen the trainee's passion for integrity, honesty and compliance with law which is the key to success in the long run.

7. Generation of employment opportunities.

8. Development of backward regions and expansion of non-training activities in rural areas and improving the economic status of socially disadvantaged groups like rural poor, tribal and women.

9. Widening the industrial base through setting up small and medium scale industries.

**Structure of a Typical EDP**

A typical EDP consists of three distinct phases. viz., pre-training phase, training phase and post-training phase or follow-up phase. The duration of an EDP may vary from one day to several weeks. It is characterised by an emphasis on operational rather than academic training and flexible design of training programmes to meet the specific needs of the participants.
1. Pre-Training Phase of the Programme

The initial stage of an EDP includes the selection of candidates for the programmes. The agencies conducting the EDP advertise in the local media regarding the programme and call for applications from candidates. The selection of the trainees is based on several traits like the need for achievement motivation, ability to take risk, information seeking attitude in seizing the opportunities, decision making ability, problem solving capacity, clarity about goals and priorities and planning a time bound programme of tasks to attain chosen goals etc.

The selection of candidates is carried out, sometimes, after they are subjected to a written test and interview. A number of techniques like Bio-data Questionnaire, Assessment of Motives and Entrepreneurial Competencies are used to select the prospective trainees.

2. Training Phase of the Programme

The EPD training has normally three components viz., Achievement Motivation Training, Business Opportunity Guidance and Management Education Component.

The aim of the Achievement Motivation Training is to develop the latent motivation of the trainees. The motivational inputs include psychological games, goal-setting exercises and role play. The objective of these inputs is to enable the participants to understand their own entrepreneurial personality and behaviour and bring about through self study, changes in self concept, values and skills leading to positive entrepreneurial behaviour. The aim is to develop entrepreneurial
competencies like initiative, information seeking, orientation towards systematic planning, persistence, concern for quality work commitment, efficiency orientation, assertiveness, problem solving and decision making.

The Business Opportunity Guidance aims at providing the information to the trainees about various opportunities available and guided to select a project suitable to them. The trainees are exposed to the actual problems of running an enterprise by conducting field trips to successful industrial units in the area. Sometimes, they are provided inplant training to gain familiarity with the production process. The trainees are helped in conducting the techno-economic feasibility study of the project they have selected, preparation of project report and in conducting the market surveys. It also aims at providing guidance with regard to the preliminary work to be completed before setting up an enterprise. Information on government policies and guidelines, source of finance schemes of assistance, rules and regulations to be complied with will be provided to the participants.

The Management Education Component is important because the typical small entrepreneur will have to manage the unit himself. This component will help the entrepreneurs to understand the concepts and principles of management and apply them in the day-today management of the industrial unit. This component includes training in various aspects of management such as production management, inventory control, labour laws, taxation and book-keeping.

3. Post-Training Phase or Follow-up Phase

This phase includes follow-up support, guidance and counselling provided for preparing applications for financial assistance, getting sanction of loans, selecting and
securing suitable locations, getting governmental approvals and registration under various statutes. The training organisation helps the trainees in the actual establishment of the units by providing assistance in getting water electricity and necessary licenses.

The follow-up programme is as important as the first two phases. If adequate follow-up is not provided there is every possibility that trainees, even highly motivated ones, may run into problems with bureaucracy or lending agencies and discard the idea of setting up an industrial unit.

The study of the financial role or indirect approach of KSFC in the development of entrepreneurship and its promotional role or direct approach in Shimoga district is made and presented in the sixth and seventh chapters respectively.
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