Chapter 2

THEORETICAL BACKGROUND
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ENTREPRENEUR :

2.0. Introduction :

An entrepreneur is one of the important segments of economic growth. Basically, an entrepreneur is a person who is responsible for setting up a business or an enterprise. In fact, he is one who has the initiative, skill for innovation and who looks for high achievements. He is a catalytic agent of change and works for the good of people.

An urge to exercise power over other things and objects persists among all human beings. The urge may vary in degree from person to person. This urge is an intrinsic quality of an entrepreneur. Sociologists consider him as a sensitive energizer in the modernization of societies. The psychologists look upon him as an ‘entrepreneurial man’, his motivations of aspirations are conducive to development. Political scientists regard him as a leader of the system. To economists, he is an harbinger of economic growth.

The entrepreneur is a critical factor in the socio-economics change. He is the key man who envisages new opportunities, new techniques, new lines of production, new products and co-ordinates all other activities.

The term “entrepreneur” is defined in a variety of ways. Yet no consensus has been arrived at on the precise skills and abilities that make a person a successful entrepreneur.¹

2.1 Definitions :

Various experts have defined the term entrepreneur in different words. Some of the definitions are as follows—

1) According to Collins Cobuild English Language Dictionary, 1987 An entrepreneur is a person who sets up business deals in order to make a profit.
2) According to J.B. Say, An entrepreneur is the economic agent who unites all means of production.
3) Richard Cantillon Says, All person engaged in economic activity are entrepreneurs.
4) In the words of Quesnay, A rich farmer is an entrepreneur who manages and makes his business profitable by his intelligence and wealth.
5) **J. A. Schumpeter is of the view that**, *A person who introduces innovative changes is an entrepreneur and he is an integral part of economic growth.*

6) **According to Webster**, *Entrepreneur is one who assumes risk and management of business.*

7) **In the words of Walker**, *True entrepreneur is one who is endowed with more than average capacities in the risk of organizing and coordinating various factors of production.*

8) **Peter Drucker Says**, *Entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity. Innovation is a specific tool of entrepreneurs, the means by which they exploit change as an opportunity for different business or service.*

9) **Dewing has rightly put it as follows**, *The function of entrepreneur is one that promotes ideas into business.*

   Thus, an entrepreneur is always action – oriented. He has the ability to visualize the necessary steps involved form idea generation to its actualization. He is both a thinker and doer, planner and worker. He accepts risk and manages it. All the above definitions portray an entrepreneur as an initiator of action, stimulator of social economic change and a harnesser of resources.

### 2.2 Concepts:

All the economists right from Cantillon to Marshal visualized entrepreneurship in the context of stationery situation. It was Joseph Schumpeter who analysed the theory of entrepreneurship from a new perspective. According to him, development is the burst of economic activities. When the stationary equilibrium is disturbed, development takes place. This change or disturbance comes forth in the form of Innovation.

**For Schumpeter**, the entrepreneur is an ‘Innovator’ who is characterised by potentialities of doing new things or doing things in a new way. He is an economic leader with strong will power and sets a ‘creative response’ to a situation and acts as a chief conducive factor in the process of economic development. He further says that the entrepreneur is an economic man who tries to maximize his profits by innovations. Innovations involve problem – solving and entrepreneur is a problem solver.

**J. A. Schumpeter in his paper**, ‘Economic Theory and Entrepreneurial History’ explained that the dynamic evolution of capitalist economy is determined by its rate of innovations. This rate is a function of entrepreneurial activity, which depends, in turn
upon the distribution of entrepreneurial talents in the population and upon the willingness of credit institutions to finance risky undertakings. Since, innovations are discontinuous in nature, the economic development of a capitalist economy is inherently cyclical in nature. As there are no diminishing returns to technological progress, continued technological progress will result in an unbounded increase in total and per capita income.

**Philip D. Olson in his paper** - “Entrepreneurs: Opportunistic Decision – Makers” focuses on the people behind new enterprises – the entrepreneurs who assume the financial risk and the responsibility for management of firms during their start-up phase. The first purpose of the study is to use research from the opportunity and decision-making areas to shed light on entrepreneurial behaviour and work. The second purpose is to use this opportunistic decision-making framework to suggest answers for questions about the nature of entrepreneurial behaviour and the field in which entrepreneurial activity is likely to take place in the coming decades.²

### 2.3.1 Definitions of Engineering:

The term ‘engineering’ is defined by various sources in the following ways:

**Directory of Technical Terms.** ‘Engineering’ means the art and science relating to expert planning construction in various industries.

**Webster’s Third New International Dictionary of English Language** indicates that ‘Engineering’ means the science by which the properties of matter and sources of energy in nature are made useful to man in structure, machines and outputs.

**McGraw-Hill Encyclopedia of Science and Technology, Vol 4** ‘Engineering’ has been defined as the art of directing a great sources power in nature for the uses of convenience of man.

In its modern form, the practice of ‘Engineering’ involves men, money materials, machines and energy. It is differentiated from ‘Science’ because it is primarily concerned with how to apply and direct to useful and economic ends basic natural phenomena which scientist discover and formulate into acceptable theories. Engineering, therefore, requires, above all, the creative imagination to innovate useful application of natural phenomena. It is always dissatisfied with the present methods and equipments. It seeks newer, cheaper, better means of using natural sources of energy and a material to improve men’s standard of living and to diminish laborious toil.

The **New Standard Encyclopedia by World Atlas** has given the following information about ‘Engineering’. 
Civil engineering is concerned with design and construction of bridges, roads, docks and with irrigations and its associated with mechanical devices. Mechanical engineering deals with the machinery for generating motive power and with the machine and with the mechanical appliances for trade and manufacturing process. Electrical engineering is concerned with all forms of electrical machinery for generating power and methods of electrical lighting and heating. Further specialization has resulted in the important branches of mining metallurgical, agricultural, chemical and wireless, engineering.

2.3.2 **Definitions of Rural Development:**

The Rural Development sector Policy Paper of the World Bank (1975) observes that "Rural development is a strategy designed to improve the economic and social life of a specific group of people - the rural poor. It involves the extension of the benefits of development to the poorest among those who seek a livelihood in the rural areas. The group includes small scale farmers, tenants and the landless."

World Bank publication defines rural development as "Improving the livings standards of the low-income population residing in rural areas and making the process of their development self-sustaining". It consists of development of Villages in to healthy, self-sufficient and prosperous units of living and also provides the basic requirements for a healthy and comfortable living.

In a seminar on Approaches to Rural Development in Asia, discussions were centred around a definition of rural development as a process which lead to a continuous rise in the capacity of the rural people to control their environment, accompanied by a wider distribution of benefits resulting from such control.

According to International Bank for Reconstruction and Development (IBRD): "Rural development is a strategy designed to improve the economic and social life of a specific group of people the rural poor. The group includes small and marginal farmers, tenants and landless labourers."

2.3.3 **Features of Rural Development:**

1. Preservation of ecological integrity with a view to provide a continuous supply of life-supporting resources.
2. Efficient and appropriate land use.
3. Healthy living conditions.
4. An aesthetically pleasing environment.
5. Effective socio-economic and environmental institutions.
6. Improved human welfare in terms of minimum economic and social level.
7. Physical structures adopted and landscape of pleasing design.
8. Comprehensiveness that is the full range of physical and biological factors in ruins.  

2.4 **Characteristics of an Entrepreneur:**

Anybody can become an entrepreneur provided he has got a certain set of behavioural traits and mental aptitude. His success depends more on hard work than good luck. He must be a DOER and not only a DREAMER. The success of an entrepreneur depends largely on his intelligence, imagination, capacity to innovate and his ability to turn visions into realities. It is not necessary that he should possess a professors intelligence, a prophets foreseeing capacity, a salesman’s persuasiveness, a banker’s financial talent, a politician’s power, a filmstar’s magnetic personality and so on. The only capacity, very essential to become an entrepreneur is the willingness to work hard. There are certain characteristic features which make an entrepreneur successful in his venture. They have been briefly discussed hereunder:

1. **Hard Work:** A successful entrepreneur is one who is willing to work hard from the very beginning of his enterprise. An entrepreneur with his tenacity and hard work pervasive perseverance can revive his business even from on the verge of collapse.

2. **Business Acumen and Sincerity:** Business Acumen stands for shrewdness and ability. Again, the success of an enterprise depends upon the sincerity of the people behind the enterprise. If a person is sincere about his venture, he will move heaven and earth to make it a success.

3. **Prudence:** A successful entrepreneur must be prudent in all his dealings. He should have the ability to work out the details of the venture from all anyles, assess the favourable factors and pitfalls and take suitable measures to overcome the pitfalls.

4. **Achievement Motivation:** The achievement motivation is the most important characteristic of an entrepreneur since all other characteristics emanate from this motivation. He must have a strong desire to achieve high goals in business. In fact, this achievement motivation helps him to surmount the obstacles, suppress anxieties, repair misfortunes and devise plans for success.
5. **Self-reliance and Independence**: A successful entrepreneur wants to follow his own routine policies and procedures and he does not like to be guided by others. He is found to be self-reliant by acting as his own master and making him responsible for all his decisions. He doesn’t like to work for others.

6. **Highly Optimistic**: Successful entrepreneur is always optimistic about his future and he is never disturbed by the present problems. He always expects a favourable situation for his business and hence he is able to run his business successfully in the midst of temporary hurdles. He does not allow the past to obsess him.

7. **Keen Foresight**: An entrepreneur must have been foresight to predict the future business environment. He has the capacity to visualise the likely changes to take place in the market, customers attitude, technological developments, government policy etc, and take timely actions accordingly.

8. **Planning and Organising Ability**: An entrepreneur is a firm believer in planning and systematic work. Above all, he must have the ability to bring together all scattered resources required for starting up a new venture.

9. **Innovativeness**: When all is said and done, innovation becomes a different task. One should be always innovative to satisfy the varying demands of customers. For this purpose, the entrepreneur should initiate research and innovative activities to produce new goods and services. It is a never ending process.

10. **Risk Taking**: An entrepreneur is not a gambler and hence he should not assume high risk. However, he must love a moderate risk situation, high enough to be exciting, but with a fairly reasonable chance to win.

11. **Secrecy Maintenance**: A successful entrepreneur must be capable of maintaining and guarding all his business secrets. Leakage of business secrets to trade competitors will definitely lead to the downfall of his business. Hence, he should be very careful in selecting his subordinates.

12. **Maintenance of public relations**: The extent of maintenance of public relations or human relations has a vital role to play on the success or failure of an entrepreneur. A successful entrepreneur must have cordial relations with his customers to gain their continued patronage and support. He must also maintain good relations with his employees with a view to motivating them to higher levels of efficiency. Similarly, he must maintain good relations with his
suppliers, creditors and the community at large so that he may succeed in his ventures.

13. **Communication Skill:** Communication Skill is the secret of the success of most entrepreneurs. Good communication skill enables them to put their points across effectively and with clarity and thereby helps them to win customers.

**2.5 Functions of an Entrepreneur:**

An entrepreneur is an agent who buys various factors of production with a view to combining them into a finished product which can be sold in the market. While doing so, he has to perform the following basic functions:

1. **Risk Assumption Function:** An entrepreneur has to necessarily act as a ‘risk-bearing’ agent of production since he has to bear a greater amount of uncertainties in business. The term uncertainty refers to more than an ordinary risk. Ordinary risk can be measured and insured whereas risk due to uncertainty cannot be insured and it is incalculable also. For instance, risks due to the possibility of changes in the taste of customers, change in fashion and technique of production, new inventions etc, cannot be insured. But an entrepreneur has to undertake and face such uncertainties. The entrepreneur assumes this risk and tries to reduce these uncertainties by his initiative, skill and admirable ability.

2. **Decision making function:** From the very inception of the business till its development, an entrepreneur has to take decisions at various stages. He has to decide the nature and type of goods to be produced the size of the business, its location, technique of production etc. A successful entrepreneur is one who takes sound decisions at the appropriate time so that his business may succeed.

3. **Managerial Function:** An entrepreneur has to perform the managerial function also. Managerial functions are nothing but functions of co-ordination, organization and supervision. An entrepreneur is one who combines the land of one, the labour of another and the capital of yet another, and thus, produces a product while undertaking an enterprise, he has to perform all managerial functions starting with planning and ending with controlling.

4. **Function of Innovation:** Innovation is an important function of an entrepreneur. In this context, one should know the distinction between an
inventor and an innovator. The person who discovers new methods, new materials and machines is called an inventor. But the person who utilizes these inventions so as to make new combinations of product is called an innovator. Innovation is a never ending process and in fact it is an ongoing function. Thus, an entrepreneur has to be always on the lookout to introduce a new product or a new production technology or open a new market hitherto untapped or discover a new source of supply of new material. Innovators are always successful in their ventures.4

2.6. Importance of an Entrepreneur: -

Entrepreneur is one of the most important input in the economic development of a country or of regions within the country. Entrepreneurial competence makes all the difference in the rate of economic growth. In India, state and private entrepreneurship co-exist. The small-scale industrial sector and business are left completely to private entrepreneurs. It is, therefore, in this context that an increasingly important role has been assigned to the identification and promotion of entrepreneurs for this sector.

The need for a board-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.

Several factors go into the making of an entrepreneurs. Individuals who initiate, establish, maintain and expand new enterprises constitute the entrepreneurial class. The socio-political and economic conditions, the availability of industrial technology and know-how, state of the art and culture of business and trading, existence of markets for products and services and the incentives and facilities available for starting an industry or business etc; are affecting on the growth of entrepreneurship. A conductive environment is created through the policies and interest of the government in economic and industrial development.

It is now well recognized that entrepreneurs can be developed through appropriately designed entrepreneurship development programme. These programmes broadly envisage a three-tiered approach: developing achievement motivation and sharpening of entrepreneurial traits and behaviours, project planning and development
and guidance on industrial opportunities, incentives and facilities and rules and regulations, and developing managerial and operational capabilities. Various techniques and approaches have been developed and adopted to achieve these objectives, keeping in view the target groups and / or target areas. The structuring of the programmes and training methodology also necessitate consideration of the specific target-groups and target areas. Methodology for selection of the prospective entrepreneurs as well as support services after training have a significant impact on the success of the entrepreneurs development programmes.5

2.7 **Types of Entrepreneurs: -**

The entrepreneurs have been broadly classified according to the type of business, use of professional skills, motivation, growth and stages of development.

**Entrepreneurs according to the type of Business.**

Entrepreneurs are found in the various types of business occupations of varying size. We may broadly classify them as follows:6

**According to the Type of Business : -**

1. Business Entrepreneurs
2. Trading Entrepreneur
3. Industrial Entrepreneur
4. Corporate Entrepreneurs
5. Agricultural Entrepreneur
6. Others according to the type of business

**According to the use of technology:**

The application of new technology in various sectors of the national economy is essential for the future growth of a business. We may broadly classify these entrepreneurs on the basis of the use of technology as follows: -

1. Technical Entrepreneur
2. Non - Technical Entrepreneur
3. Professional Entrepreneur
4. Others According to the type of technology
According to the motivation:-

Motivation is the force that influences the efforts of the entrepreneurs to achieve his objectives. As entrepreneur is motivated to achieve or prove is excellence in job performance, He is also motivated to influence others by demonstrating his business acumen.

1. Pure Entrepreneur
2. Induced Entrepreneur
3. Motivated Entrepreneur
4. Spontaneous Entrepreneurs

According to the growth

The development of a new venture has a greater chance of success. The customers approval to the new product gives them psychological satisfaction of enormous profit. The industrial units are identified as the units of high growth, medium growth or low growth industries of as such, we have “Growth Entrepreneur” of “Super-Growth Entrepreneur”.

1. Growth Entrepreneur
2. Super-Growth Entrepreneur

According to the stages of development:

Entrepreneurs may also be classified as the first generation entrepreneur, modern entrepreneur and classical entrepreneur depending upon the stage of development. They are as follows:-

1. First-Generation Entrepreneur
2. Modern Entrepreneur
3. Classical Entrepreneur

Other Types : -

1. Innovating Entrepreneurs
2. Imitative Entrepreneurs :

2.8 Problems of Entrepreneurs : -

The Entrepreneurs face number of problems in promotion of units during production, marketing, distribution, procurement of raw material and availing the incentives offered by the State Government.
However, it would be of great interest to broadly study the general problems faced by the Entrepreneurs which are quite common and the specific problems faced by these units.

The problems of Entrepreneurs may be divided into three groups Internal, External and General Problems etc.7

**Internal Problems of Entrepreneurs:**

The internal problems of entrepreneurs are choice of an idea, feeble structure, faulty planning, poor project implementation, poor management, poor quality, marketing, financial crunch, labour problems, capacity utilisation, lack of vertical and horizontal integration, inadequate training in skills, poor and loose organization, lack of strategies, lack of vision, inadequate connections, lack of motivation.

**External Problems:**

The external problems of entrepreneurs are location, power, water, post office, communication, capital, marketing, taxation, raw material, industrial and financial regulations, inspections, technology, government policy, administrative hurdles, rampant corruption, lack of direction, competitive volatile environment etc.8

**Some of the problems of small entrepreneurs are as under:**

1) Inadequate technical support to the Entrepreneurs in respect of product identification and machinery installation from SISI. The difficulty has been in breakdowns, upgradation of technology and R and D quality control.

2) Non-availability of suitably updated handbooks about the various industries in small industries service institutes (SISI)

3) The hire purchase scheme of providing assistance to SSI helped only the larger entrepreneurs in the small scale sector, leaving smaller units financially deprived.

4) Delays in provision of infrastructural facilities like sheds, water, raw material, etc.

5) Delay in payment of Bills creating liquidity problem for SSI units.

6) Low recovery of bank funds because of difficulties in identifying genuine Entrepreneurs.

7) Lack of co-ordination between banks and state financial corporations and other agencies in assisting SSI units.

8) Lack of expertise on the part of small scale Entrepreneurs in the maintenance of records and books.
9) Innumerable laws relating to labour, excise, taxes and other areas required to be complied with by the unit holder.

10) Lack of professionalism on the part of bankers in rendering timely and adequate financial assistance and consultancy to SSI Entrepreneurs.

11) Overlapping of many items reserved for purchases from the small sector.

2.9. **Entrepreneurship : -**

**Entrepreneur Vs. Entrepreneurship : -**

Having studied the term ‘entrepreneur’, it is equally important to devote our attention to the term ‘entrepreneurship’ as well. Though these two terms are two sides of the same coin, conceptually they are different. While ‘entrepreneur’ refers to a person, ‘entrepreneurship’ refers to the function. Basically, entrepreneur is a business leader and the functions performed by him in relation to that business is entrepreneurship.

The relationship between Entrepreneur and Entrepreneurship is presented in the following table:

**Table showing the Relationship between Entrepreneur and Entrepreneurship**

<table>
<thead>
<tr>
<th>Entrepreneur</th>
<th>Entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Person</td>
<td>Function / Process</td>
</tr>
<tr>
<td>Organizer</td>
<td>Organisation</td>
</tr>
<tr>
<td>Innovator</td>
<td>Innovation</td>
</tr>
<tr>
<td>Motivator</td>
<td>Motivation</td>
</tr>
<tr>
<td>Leader</td>
<td>Leadership</td>
</tr>
<tr>
<td>Creator</td>
<td>Creation</td>
</tr>
<tr>
<td>Risk bearer</td>
<td>Risk bearing</td>
</tr>
<tr>
<td>Initiator</td>
<td>Initiative</td>
</tr>
<tr>
<td>Visualiser</td>
<td>Vision</td>
</tr>
<tr>
<td>Technician</td>
<td>Technology</td>
</tr>
<tr>
<td>Imitator</td>
<td>Imitation</td>
</tr>
<tr>
<td>Administrator</td>
<td>Administration</td>
</tr>
</tbody>
</table>

**Definitions : -**

Entrepreneurship is an elusive concept. Hence, it is defined differently by different authors at different periods.
According to A.H. Cole, “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 and services”.

Benjamin Higgins – has defined entrepreneurship as follows: -

“Entrepreneurship means the function of foreseeing investment and production opportunity, organising an enterprise to undertake a new production process, raising capital, hiring labour, arranging for the supply of raw materials and selecting top managers for the day-to-day operation of the enterprise”

According to Schumpeter, Entrepreneurship is based on purposeful and systematic innovation

In the words of Mc Clelland, Entrepreneurship involves doing things in a new and better way. It calls for decision-making under uncertainty. If there is no significant uncertainty and the action involves applying knowledge of predictable results, then entrepreneurship is not at all involved.

All the above definitions clearly point out the various functions performed by an entrepreneur.

Thus, entrepreneurship is a process involving various functions to be undertaken to establish an enterprise. Hence, entrepreneurship may be regarded as what entrepreneurs do.  

2.9.1 Entrepreneurship Development : -

Entrepreneurship development means all those activities aiming at the development of individuals in such a way that an urge is ignited for becoming an entrepreneur. Modern writers have identified three phases in entrepreneurship development as given below:

Phases of Entrepreneurship Development

Initial Phase  Development Phase  Support Phase

1) Initial Phase :- This Phase is concerned with the creation of awareness about entrepreneurial opportunities based on survey and research. Once an awareness is created, prospective entrepreneurs would be motivated to come forward to take up some ventures or other.
II) **Development Phase:** At this phase, the motivated entrepreneurs are properly trained in the chosen field and in the management skill so that they could manage their ventures profitably and successfully

III) **Support Phase:** After necessary training, adequate support should be provided to establish new enterprises. Support in the form of infrastructure facilities, financial assistance, counseling etc. is given so that enterprises could be established without much obstacles.

**Entrepreneurship as a Career:**

Entrepreneurship is not limited to any class, community or religion. There is no age bar also. Any person who possesses certain behavioural traits and attitudes can become an entrepreneur irrespective of his age. The charms of becoming an entrepreneur are many. At the same time, there are certain limitations also.

**2.9.2 Positive Aspects of Entrepreneurship:**

Indeed it is an exhilarating feeling to own and run one’s own enterprise. The advantages of becoming an entrepreneur are:

1) Being the boss of his own business, he enjoys unlimited powers. He can do things in his own way and he need not take orders from someone else. He can make his own decisions and act on them.

2) There are numerous opportunities for his self development.

3) Working on one’s own and thus getting rewards yields immense satisfaction and pleasure for more than what he can get in a job.

4) Monetary rewards can be more than commensurate with his capacity and capabilities.

5) He can command difference and respect of his immediate family and friends. It is a kind of intangible reward.

6) Instead of depending on others, he generates employment for others.

7) He can make significant contribution to the development of the country and be proud of taking part in nation building activities.

8) He can be great achiever realizing his goals and proving his achievements to the world. He can be recognized for his outstanding efforts.

Thus from a humble beginning one can become an entrepreneur with a turnover in crores.
2.9.3. **Negative Aspects : -**

The disadvantages of becoming an entrepreneur are : -

1) Though an entrepreneur is his own boss, in some respects he is not. It is so because he is constrained by various people like his financers, labourers, suppliers, customers, and so on.

2) He may have to face frustration since the scope of his operations is limited by his limited resources.

3) He has to work long and hard hours from morning to dusk and his ventures tends to absorb all his energy and time. This may affect his social and family life.

4) At times he may have to face disappointments and frustrations since everything in his venture may not always work the way he would like it to.

5) He has to always work with tension since there is always the risk of failure.

In spite of the above factors, an entrepreneur seems to prefer the troubles and travails of his seas and not the security of shallow waters.\(^1^1\)

2.10 **Social Responsibilities of Entrepreneurs :-**

1) There is no conflict an individual interests and social interests. Every businessman tries to maximize his profit for the expansion and development of his business and to fulfill the various obligations towards the different sections of the community – the workers, consumers, suppliers and the society at large. Maximization of profit cannot be allowed beyond a certain limit if it goes contrary to the interests of society. There should be perfect harmony and co-ordination between individual profit and social obligations.

2) Social responsibilities apply to both private sector and public sector businesses. These responsibilities connect individual responsibilities with social aspects.

3) The social responsibilities treat business as social institution whose organization and functions must be carried on to fulfill the objectives, hopes and ambitions of the society.

4) These responsibilities emphasize the all round development of various sections of persons connected with business. They also accept the Gandhian ideas of social justice and trusteeship concept.

5) The concept of social responsibilities of business is a two way traffic. This means if the business is socially responsible to discharge its duties in enhancing the welfare of the society, the society also owes its responsibility towards business.
6) These responsibilities are closely connected with the ethical and moral values and ethical standards.

7) These responsibilities are not static and rigid but elastic as the society is dynamic. The ideas and values are always undergoing the changes. Business environment affects the moral and ethical values, which are constantly changing and undergoing modifications.\[12\]

2.11 **Small-Scale Industry – An overview:**

The small-scale industry constitutes a vital component in Indian economy. The Government of India has recognised the importance of small-scale industry for achieving socio-economic objectives like generating employment and removal of regional disparities and economic backwardness of rural areas. Today small-scale industries have spread into different areas and become an integral part of overall economic social and industrial development of India.

The small-scale sector has contributed about 55 Percent of the total industrial production and amount for about 40 Percent of export from the country. The employment provided by this sector is 175 lakh people in 31.75 lakh units. This sector has developed from the production of simple consumer goods to the manufacture of sophisticated and precision products like electronic control system, microwave components, medical equipments, T.V. Sets and the like. Over 7500 products are manufactured by the small-scale industry.

2.11.1 **Evolution of the Concept of Small-Scale Industry:**

The definition of small-scale industry varies from one country to another. In most of the countries the criteria for defining a small-scale industry relates to the size of employment or capital or both.

For instance in USA, small business is one which has employment of less than 500 people. In Germany it is less than 300 workers. In Japan, in a small scale industry, the investment should not exceed 100 million yen with 300 employees. In South Korea, the investment limit is 2 lakh dollars and the limit of employment is 200 people.

In India, the definition of small-scale industries has undergone periodic changes. The first definition was adopted by the small scale industries Board in 1955. The Board defined a small-scale industrial unit as follows:

“A unit employing less than 50 persons, if using power of less than 100 persons without the use of power, of with a capital assets not exceeding Rs. 5 Lakhs”.

The employment criterion was dropped in the year 1960 and a small-scale industrial unit was defined in terms of investment in fixed assets only. The Ministry of Commerce and Industries defined a small-scale industry as “a unit with a capital investment of not more than Rs. 5 Lakhs irrespective of the number of persons employed”. The ancillary industries engaged in the production of ancillary items and components needed by large industries required costly equipments and machinery, the ceiling on investment was fixed at Rs. 10 Lakhs.

The definition of small-scale industry was modified again in the year 1966. The ministry of industry defined a small-scale industry as follows:

“An undertaking having capital investment in plant and machinery of not more than Rs. 10 Lakhs and Rs. 15 Lakhs in case of ancillary units”

In view of the rise in the prices of capital investment and replacement, there was a need to revise ceiling on capital investment. The small scale Industries Board in the year 1974 recommended the revised definition of Small Scale Industries as: The Undertaking having investment in Plant and Machinery not exceeding Rs. 7.5 Lakhs and the ancilliary units as, The Undertaking having investment in Plant and Machinery not exceeding Rs. 15 Lakhs.

The Industrial Policy Resolution of 1977 created a new sector called Tiny Sector within the small-scale industry sector. All industries, with a capital investment of Rs. 1 Lakh in Plant and Machinery and located in rural areas and small towns are included in the tiny sector.

In the year 1980, the Government of India raised the limit of investment in tiny units, small-scale units and ancillary industrial units as under:

1) Tiny Units: From Rs. 1 Lakh to Rs. 2 Lakhs
2) Small Units: From Rs. 10 Lakhs to Rs. 20 Lakhs
3) Ancillary Industries: From Rs. 15 Lakhs to Rs. 25 Lakhs

In view of the escalation in the cost of plant and machinery, the Government of India decided to enhance the investment limit for small-scale industries to Rs. 35 Lakhs and for ancillary industries to Rs. 45 Lakhs in the year 1985.

As per the Industrial Policy statement of 1990, the investment ceiling in Plant and Machinery for small-scale Industries has been raised from Rs. 45 Lakhs, to Rs. 60 Lakhs and for ancillary units from Rs. 45 Lakhs to Rs. 75 Lakhs. Investment limit with respect to tiny units has been increased from Rs. 2 Lakhs to Rs. 5 Lakhs. According to
the modified definition, an ancillary unit is one which sells not less than 50 percent of its manufacture to one or more industrial units.

During 1997, on the recommendation of Abid Hussain Committee, the Govt. of India further raised the investment limit to Rs. 3 Crores for small-scale industries and to Rs. 25 Lakhs for tiny units.

The Government of India, in its new policy initiatives for small-scale Industry announced in 1999-2000 has reduced the investment for small scale industry from Rs. 3 Crores to Rs. 1 Crore.

### 2.12 MSMED Act, 2006:

The recently enacted new Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act henceforth) has changed the investment limits for classifying the industries. The following table indicates clearly a comparison between the erstwhile norms and the MSMED norms.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Earlier Norms</th>
<th>MSMED norms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>&lt;10 lakhs</td>
<td>&lt;25 lakhs</td>
</tr>
<tr>
<td>SSI</td>
<td>10 lakhs – 1 cr.</td>
<td>25 lakhs – 5 cr.</td>
</tr>
<tr>
<td>Medium</td>
<td>1 – 5 cr.</td>
<td>5 – 10 cr.</td>
</tr>
<tr>
<td>Large</td>
<td>&gt; 5 cr.</td>
<td>&gt; 10 cr.</td>
</tr>
</tbody>
</table>

Source: MCCIA, Profile Pune

Thus, a unit investing between Rs.25 lakhs and Rs. 5 crores gets classified to be an SSI unit and one investing between Rs. 5 crores and Rs. 10 crores is treated to be a medium scale unit. All units with investment of more than Rs. 10 crores are treated to be large-scale units.13

### 2.13 Salient Features of the Micro Small and Medium Enterprises Development Act, 2006:

- It provides the first ever legal framework for recognition of the concept of “enterprise” (comprising both manufacturing and services) and integrating the three tiers of these enterprises, viz., micro, small and medium.
- Under the Act, enterprises have been categorized broadly into those engaged in (i) manufacturing and (ii) providing /rendering of services. Both categories have been further classified into micro, small and medium enterprises, based on their
investment in plant and machinery (for manufacturing enterprises) or in equipment (in case of enterprises providing or rendering services) as under:

i) **Manufacturing Enterprises:**
   - **Micro Enterprises** - investment upto Rs. 25 Lakh
   - **Small Enterprises** - investment above Rs. 25 Lakhs and upto Rs. 5 crore.
   - **Medium Enterprises** – investment above Rs.5 crores upto Rs. 10 crore.

ii) **Service Enterprises:**
   - **Micro Enterprises** – investment upto Rs.10 lakh.
   - **Small Enterprises** – investment above Rs.10 lakh and upto Rs.2 crore.
   - **Medium Enterprises** – investment above Rs.2 crore and upto Rs. 5 crore.

2.14 **Importance of Small-Scale Industry:**

1) **Employment Generation:** The Small Scale industries are labour intensive and they can provide more employment per unit of capital. The employment generating capacity of small-scale sector in eight times that of large-scale sector. In cottage of household industries, with given investment, employment possibilities would be ten or fifteen time greater in comparison with corresponding factory industries. In an economy, characterised by abundant labour supply and scarce capital, the small-scale industry assume special significance.

2) **Use of Local Raw Material:** The Small-Scale units make use of locally available raw materials. Most developing countries are rich in certain agricultural, forest and mineral resources. Small scale industries can be used on the processing of locally produced raw materials. These industries not only economise the utilisation of resources but also help to conserve foreign exchange by producing of exporting goods processed by locally available resources.

3) **Balanced Regional Development:** Large industries are mostly concentrated in big cities. The small towns and rural areas are deprived of the benefit of industrialisation. In order to benefit the country as a whole, the industries should be dispersed in all regions. It is possible to start small-scale industries in almost all areas such as villages, hill areas and even remote corner of the country. Thus small-scale industries are helpful in achieving wider dispersal of industries and thereby ensure balanced regional development.
4) **Decentralisation of Industries:** The concentration of industries in urban areas encourages migration of people from rural areas to urban centres in large numbers. This creates a number of problems such as Pollution, slums and shortage of civic facilities. The dispersal of small industries in different areas reduce the intensity of the problem. Further, decentralisation helps to tap the local resources such as raw materials, idle savings, local talents etc.

5) **Mobilisation of Capital:** Small Scale Industries are helpful in mobilizing capital. In an agrarian economy, people have a tendency to keep their money idle rather than investing in large scale industries. Since small scale industries are located close to areas where people stay, mobilisation of rural savings is easy.

6) **Developing Entrepreneurship:** The growth of an entrepreneurial class requires an environment. Small enterprises provide the environment which encourages a growing network of feeder and complementary relations among plants and firms. It is in this environment the latent talent entrepreneurs can be developed. Thus the latent resources of entrepreneurship can be tapped by the growth of small enterprises only.

7) **Equitable distribution of wealth:**

The growth of large enterprises results in concentration of economic power in few people. The income and wealth, as a result, is distributed unequally in the country. On the other hand, small industries are either proprietary or partnership concerns and the ownership is widely dispersed in rural and backward areas. So, the income generated in large number of small units is dispersed widely. Thus the growth of small scale industry ensures a more equitable distribution of income and wealth.

8) **Training ground for local entrepreneurs:**

Small scale industries are the training ground for local entrepreneurs. The skills and knowledge acquired can be transferred to other industries and small enterprises may grow into medium sized industries.

9) **Efficient use of productive factors:**

Small enterprises use productive factors more efficiently. This results in lower capital output ratio and higher labour capital ratios. A rupee worth of fixed assets produces almost seven times the output in small scale sector as compared to large industries. Further, the value added per unit of capital is higher in small units.

10) **Promotion of Export:**

The contribution of small scale sector in export promotion is significant. A feature has been rapid growth in the export of non-traditional items. The small scale sector
accounts for Rs.60,000/- crore export annually which is 40 Percent of total exports in India.\textsuperscript{15}

2.15 Problems of Small Scale Industries:-

The various policy measures taken by the government to foster the growth of small-scale industries have resulted in enormous growth of small units. However, many problems of production, distribution and finance still continued with the small-scale sector. The problems and difficulties faced by the small industries are discussed below:

1) Finance : -

Inadequate finance is the major problem for small scale units. Since most of the SSI units are either proprietary concerns or partnership firms their internal resources are small. The credit provided by the various institutional agencies such as banks, SFCs and SIDBI are inadequate to meet the requirements of small units. The initial investment of small units comes from relatives, friends, non banking and non-government sectors. The institutional agencies are still reluctant to advance money to small industries as they are unable to offer security/ guarantee required by them. The shortage of funds makes it difficult to install modern. Machinery and maintain well organized and fully equipped factories. They are unable to buy and store required raw materials or stock of finished goods, have their own sales organization. Despite the liberal credit provided by the institutional agencies, the problem of finance exists still in small-scale sector.

2) Raw Materials : -

The availability of raw materials is a great problem for small scale units. These units use either local raw materials, or imported raw materials. For the small units making use of local raw materials, the problem is not a serious one. The industries that use imported raw materials face acute raw material problem. The shortage of right type of raw materials at standard price affects the capacity utilization and production programme. The efforts taken by the government to ensure adequate supply of raw materials has met with partial success. The raw materials supplied by the government is hardly enough to meet 30 Percent to 40 Percent of the installed capacity of the SSI units. As a result the small industries have to resort to open market purchase at high prices which is turn increases the cost of production and adversely affects the profit.

The raw material problem has been extremely acute for steel based industries. Industries are forced to buy these materials in black market at prohibitive price which upset their cost calculations. There is great variation in the quality of raw materials and its
effects on the quality of final product. Generally the industries are faced with the
problems of substandard raw materials by supplied dealers. There are also great delay in
supply of raw material and because of this entrepreneurs have to keep their inventory
level high.

3) **Marketing :-**

In marketing their products, the small units have to face competition from other
small-scale units and also from large industries. The small units do not possess their own
marketing organization. They do not have the resources and expertise to market their
products effectively. Further, their products are often not standardized and of variable
quality. Therefore, the small industries suffer from a comparative disadvantage vis-à-vis
large scale units, financial constrains compel the small units to sell their products at
unremunerative prices. Many small units sell their products to large selling houses at low
prices.

The National Small Industries Corporation and Small Industries Development
Corporations assist the small units to get government orders. The Trade Fair Authority
and the State Trading Corporation help small-scale industries to market their products and
locating export market. However, these arrangements are inadequate.

4) **Technology : -**

Most of the small-scale units use only obsolete and outdated technology and old
machineries and equipment. Adoption of latest technology alone can ensure good quality
and higher productivity. Due to limited capital, the small industries find it difficult to
modernize their plant and machinery. As a result, the cost of production tends to be
higher and quality of products lower as compared to the products of large industries. The
small industries are financially weak to undertake research and development activities.

5) **Underutilization of Capacity : -**

The small industries have an inherent problem of underutilization of capacity due
to two reasons i.e. frequent power cuts and inability to go for alternatives like generators
and installation of thermal units. On an average 40 percent to 50 Percent of the capacity is
not utilized in small units.

6) **Recovery: -**

One of the basic problem of small – scale industry is recoveries from sales. The
buyers do not pay their dues in time, most of the ‘Principals’ do not pay the ancillaries for
six months or even longer after purchase of goods. The financial assistance obtained from a bank is taken advantage of by the customers of small-scale units.

7) **Institutional Constraints:**

The entrepreneurs face many constraints in availing themselves of the various concessions and facilities extended by various financial institutions and government agencies. The small entrepreneurs have to approach several agencies to get their requirements. As a result they are not able to get the assistance in time.

8) **Other Problems:**

In addition to the problems enumerated above, the small-scale industries face problems. Such as imperfect knowledge of market conditions, lack of infrastructure facilities, deficient managerial skills and lack of effective co-ordination among various supporting institutions. All the above problems have put the small-scale sector at a disadvantageous position in domestic and export markets.¹⁶

2.16 **Impact of Liberalisation, Privatisation on Small and Medium Enterprises:**

Over the last few years, there have been considerable changes in policies of the government, of these have directly hit the small scale sector of our country. Competitiveness has become the key to the survival and growth of business in the post liberalization era. The small and medium industries do not have proper linkage between them. The recent trend of outsourcing the activities have also changed sinario of this linkage. Despite pioneering examples of successful development models practiced in Japan and in Europe, the Indian industry has been slow on the uptake. Part of the blame should rest with the unimaginative government that discouraged such ties. However, with reforms of emphasis on globalisation, small and medium enterprises will have new meaning. The role of small scale industries in economic growth and employment generation is recognized the world over. However, their growth depends upon the supply of competent entrepreneurs who gather resources and manage them to establish viable and sustained employment generation ventures. The realisation that enterprises will have to compete not only against other, domestic players but also against international players, has further complicated the challenge. One of the strategies which has emerged for the large unit is to support and sustain the business of small and medium enterprises.

The failure of public sector to fulfill the role assigned to it resulted in the protest becoming louder and more articulate. The first clear pronouncement of the public sector
outlining the change in policy was made by the Prime Minister Mr. Rajiv Gandhi, in his first broadcast to the nation in 1984 when he said, “The public sector has spread into too many areas where it should not be”, We will be developing our public sector to undertake jobs that the private sector cannot do. But we will open up more to the private sector so that it can expand and the economy can grow more freely. The wheel of change has been set rolling since, 1991 in the wake of the radically new approach to the country’s economic policy. At the time of launching the policy of liberalization, there was a mixed reaction among Indian entrepreneurs and industrialists. Boom was predicated for small and medium enterprises but the experience of last six years have proved such prophets wrong.

**Impact of Liberalisation:**

1) A new industrial scenario is emerging in which small scale industries will have to play a key role. The action is on for integrating the economy, particularly the industrial sector, with other developed and developing economies through the process of globalization.

   In fact, small industries have surged forth with greater vigour and performed outstandingly well with entrepreneurial resilience in the post liberalization era.

2) The small scale sector is seen to have great potential for further expansion, growth and diversification in the thrust areas dealing with high levels of technology and this is emerging in various regions of the country. The emerging focus of globalization, deregulation and technology transfer are changing the face of small and medium industries today. The liberalization of India’s economic policy has opened the door to international players. The enterprises have realized that if they do not adjust to changing customer priorities, they will be out of business.

3) They are facing a number of strategic challenges mostly related to intense competition, market share, changing technology and more demanding customer. Solving the problems associated with these changes and creating opportunities from this turbulence, requires innovation. Innovations alone can satisfy changing customer priorities.

4) Moreover, stress on globalization gives way to fill use of natural resources thereby producing cheap goods at lesser cost. Internationalities provide strength by helping the host country to face natural calamities like famine, floods, epidemics, etc. At such times we are prone to take help from other countries. Such ties generates surplus production
making the country economically prosperous and also encourages competition in production that helps reduce monopolistic tendency.

5) Above all globalization helps in improvement in the techniques of production, rise in national income and employment and establish international co-operation and use of new technology and good cultural relations in small scale and medium enterprises. On the other hand, it has also resulted in downgrading the industries, creating sickness and retrenchment of employees due to cut-throat competition.

6) The raid flow of technology and the means of production around the globe and the clear trend for many companies to gear up their strategies of management attitudes to the global market point to the emergence of new global enterprises. The changing environment of economy has brought drastic changes in the small scale and medium industries. As there is multiple increase in production, employment and export. It has resulted in improving the quality of products increase in efficiency and effectiveness and use of latest technology. The induction of modern technology is perceived as a powerful instrument for the transformation of the third world into prosperous industrialized nations. Since every developing country has strong urge to industrialize, import of technology has become imperative for these countries. But in new economic policy there is a transfer of technology and not transfer to technical know how.

**Impact of Privatization:**

Privatization means any process which reduces the involvement of the state or public sector in the economic activities of the nation. It is the substitution of market systems of allocation for non-market systems. Some view it as the adoption of measures which would eliminate government share and intervention in enterprises of the economy. In means rolling back of state activities. In its most simple sense privatization means the transfer of assets from government owned enterprises to private companies or investors.

Thus privatization may take any of the forms such as disinvestment or denationalization, leasing handing over of management, contracting of jobs/ service, deregulation etc. But the important point is the transfer of ownership and control from public sector to the private sector.

Now the question is, Which enterprise could be privatized? If the process of privatization is adopted, should there be total selective privatization? In India the government intends to privatize selective activities on experimental basis, namely, electricity generation, steel making, banking, etc.
In fact, the process of liberalization and privatization initiated from 1991 is trying to make environment more conducive for growth of entrepreneurship. Since then many ideas have been floating in academic circles. The growing demand for privatization of public sector is basically due to poor performance and absence of a result-oriented management culture in the existing setup. The advocates of liberalization and free market economy feel that privatization is the only remedy for solving all techno-economic and managerial problems of public sector in India. In order to divert the scarce resources and funds to more important and key areas, the government should adopt a policy of strategic decision and selective withdrawal of its interest in those public sector units which are producing consumer products, consumer durables etc.

**Some important comments :-**

1) It will result in down grading of the small and medium scale industries due to cut-throat competition in global market.

2) If liberalization and removal of all control on the economy is accepted it would only result in unequal distribution of income and widening of the existing gap between haves and have nots.

3) Privatization appears particularly prone to exploitation by special interest groups at the expense of genuine gain in the overall economic prosperity.

4) A complete free economy will also hurt rural development because it will help lop-sided development of economy.

5) It would be wrong to draw lines between public and private enterprises and regard it as a line between inefficiency and efficiency. Evaluating profitability alone would not be proper. The objective of public enterprises are larger (more encompassing) than just earning profit.  

2.17 **Industry :**

In today’s business environment, new entrepreneurs have huge opportunities in the service and trading industry groups.

### Industry Classification

- Large Scale Industry
- Small Scale Industry
- Ancillary Industry
- Tiny Industry
- Village and Cottage Industry
The above stated industrial classification is on the basis of the scale of investment, “Usually, this classification is provided as per the investment criteria given by the government in its industrial policy. Therefore, time to time, the investment criteria may change.

1. **Large Scale Industry**:
   All those industries investing Rs. 5 crores and above in plant and machinery are termed as large scale industries.

2. **Small Scale Industry**:
   All those industries investing upto Rs. One crore in plant and machinery and are not the subsidiaries of other industry are termed as small scale industries.

3. **Ancillary Industries**:
   All those industries investing Rs. One Crore turnover to other large scale or small scale industry are termed as an ancillary industry.

4. **Tiny Industry**:
   All those industries investing upto Rs. 5 lakhs in plant and machinery are described as tiny industries.

5. **Village and Cottage industry**:
   The following criteria are laid down to describe the village and cottage industry.
   - Rural area of less than ten thousand population.
   - With or without the use of electricity/power.
   - Investment in land and building, machinery equipment, instrument upto Rs. 15000/-
   - Based on locally available raw material an industrial unit satisfying all these criteria is described as a village and cottage industry.

2.18 **Basic Requirements for Starting of Small Scale Industrial Units**:

**Small Scale Industry (SSI) Registration**:
Even though SSI Registration, is not obligatory for the small entrepreneurs in the long run, it is always beneficial for them. Registered small industries receive district benefits, concessions and facilities from the government.

For obtaining SSI registration, an entrepreneur has to complete the following formalities:

1. Application in the prescribed form – application forms are available in the DIC Office.
3. No objection certificate (NOC) for the industrial use of the given premises from
the local self-governing body.

4. Affidavit prescribed forms of the Affidavit is attached with the application form. It is provided by the DIC Office.

Usually SSI registration is given by the DIC Office, when all the above mentioned formalities are completed and all the forms are duly filled, an entrepreneur has to submit these forms with the NOC and Project Report to the DIC Office. Immediately, the entrepreneur receives a provisional SSI registration number. Provisional registration is given on the date of submission of the application form for a period of five years.

With provisional registration, the entrepreneur can apply for power connection of other licences and registrations required to set up the unit. He can submit loan applications to financial institutions and commercial banks with the provisional registration. In order to apply for importing machinery and raw materials, provisional registration is obligatory. Government institutions like NSIC provide machinery on an installment basis. Provisional registration is required to obtain this benefit.

Permanent SSI registration is given to the unit after commencement of the production. An entrepreneur has to apply for permanent registration in a prescribed form. Permanent SSI registration is given by the office of the DIC or any other office approved and authorised by the government for this purpose.

**Permanent SSI Registration can be cancelled by the government if :-**

1. Production activity is discontinued for more than one year at the registered location.
2. Misutilisation of the imported raw material or scarce raw material.
3. Necessary registers and information is not made available to the Directorate of Industries.

For the service industry, registration is given as “small-scale service business enterprise” (SSIBE). This registration is given by the local self-government bodies. If the investment in machinery is Rs. 5 Lakhs, the small-scale service industry can obtain a small service and business Enterprise registration from the directorate of industries.

**No Objection Certificate (NOC) :**

For obtaining NOC, an entrepreneur has to apply to the directorate of industries or the office of the DIC. The following documents are to be submitted for NOC.

1. Duly filled up prescribed application form.
2. Legal documents of the location of the unit.
3. Certificate showing the industrial unit in the conforming zone.
4. If the industrial unit is located in an industrial estate a proof or a certificate indicating that the industrial estate or gala is approved by the government.
5. Detailed scheme of the proposed product and the production process.
6. Detailed list of the machinery and equipments.
7. List of raw materials.
8. Documents of the constitution of the unit.
10. Ownership deed of the premises of the unit and the area of the unit.
11. Justification for NOC.
12. Reserve bank challan of the required amount.

2.19 Maharashtra Industrial Development Corporation (MIDC)

2.19.1 Institutional Finance to Entrepreneurs:

Finance is one of the essential inputs for any business enterprise. In order to meet the financial requirements of small scale entrepreneurs, the Government of India and the State Government have set up a number of financial institutions. The financial assistance provided exclusively to small scale industry by various institutions are described in this part.

2.19.2 State Financial Corporations (SFC):

State Financial Corporation have been set up in different states under SFCs Act passed by the parliament on September 28, 1951. The first SFC was set up in Punjab in 1953. There are all 18 SFCs in the country, of these 17 are set up under SFCs Act.

2.19.3 Maharashtra Industrial Development Corporation (MIDC)

The Maharashtra Industrial Development Corporation Ltd. was established in 1949 under the companies act and functions as a full fledged SFC. It provides financial assistance to tiny, small and medium scale industrial units for acquisition of fixed assets. The financial assistance is given to set up new industries and also for expansion, diversification, modernization and for purchase of generators.

The corporation provides term loan up to Rs. 800 lakh to private and public limited companies and co-operative societies, and upto Rs. 120 lakh to proprietary or partnership concerns.

Various schemes of financial assistance:
1. **General Scheme:**

The scheme is intended to provide financial assistance for new projects or to expand the existing project. The assistance is also available for expansion, modernization and diversification of existing units. The loan is given for purchase of land construction of building and purchase of machinery / equipment. The present rate of interest is 15 Percent p.a. for term loans upto Rs. 25 lakhs and 15.25 Percent loans above Rs. 25 lakhs. The term loan shall be repayable not exceeding 7 years including an initial moratorium of not more than 2 years.

2. **Soft Loan Scheme / Seed Loan Capital:**

The soft loan scheme is meant for qualified / experienced entrepreneurs who are unable to bring in stipulated promoters contribution. The entrepreneurs who do not have adequate resources to pay their contribution can avail this facility. The quantum of soft loan is the gap between promoters contribution stipulated and the actual contribution that can be brought in by promoter. The assistance will be a maximum 20 Percent of project cost subject to the maximum of Rs. 4 lakh per project.

The soft loan is repayable along with the term loan repayment. Normally the repayment shall not exceed 5 years including the initial moratorium period. A normal rate of interest of 1 Percent per annum is payable. In case, the financial position and the profitability of the unit improves, a higher rate but not exceeding the normal rate of interest on term loan will be applied.

3. **Single Window Scheme:**

Single Window Scheme is a composite loan for fixed capital and working capital. The project not exceeding a total cost of Rs. 200.00 lakh are eligible for assistance. Under this scheme, the repayment of working capital is fixed at 5 years and term loans 5 to 7 years. The repayment holiday is one year for working capital component and 6 months to 2 years for term loan. The rate of interest for working capital and term loan depends on the SIDBI refinance rate prevailing at the time of sanctioning of the loan.

4. **Scheme of assistance for acquisition of ISO 9000 series of certification by SSI units:**

The objective of the scheme is to promote quality management system in SSI with a view to strengthening their marketing and export potentialities. Existing industrial concerns in SS sector having a good record of performance and sound financial position are eligible for assistance. Expenses on consultancy, audit, certification fees and equipment would be
taken into account for determining loan requirement. The assistance is considered for projects exceeding Rs. 2 lakh and upto a maximum amount of Rs. 5 lakhs.

5. **Marketing Assistance Scheme:**

The scheme is intended to provide support to SSI in marketing their products. Existing units with good track record and earning continuous, net profit for the past 3 years are eligible for the loan for undertaking market research, expenses on advertising, branding, participation in trade fairs and exhibitions and establishing distributions network. The amount of assistance is based on the project cost. The loan is repayable in 8 quarterly installments with a holiday period of one year.

6. **Generator Scheme:**

Under this scheme loan is granted for purchase of generator sets to enable the industrial units to meet power shortage. The amount of loan is need based and the promoters contribution is 22.5 Percent. The loan is repayable in 7 years including a holiday period of 6 months. Generator subsidy of 15 Percent is considered by the government.

7. **Leasing Scheme:**

It is intended to provide assistance to purchase machinery/equipment on reasonable lease rentals. The assistance will be from Rs. 5 lakhs to 80 lakhs Percent finance is provided on the cost of assets.

8. **Factoring Scheme:**

This scheme is introduced to solve the working capital problems of SSI by discounting bills raised by units on suppliers. The assistance is considered from Rs. 5 lakhs to Rs. 100 lakhs. 85 Percent of invoice value including insurance, freight land taxes. The interest rate is 10 Percent maximum credit period is 90 days.

9. **National Equity Fund:**

The scheme is intended for providing equity support to deserving small entrepreneurs to establish new project or to expand the existing project and for purpose of rehabilitation of viable sick units. In case of new projects, a loan of Rs. 50 lakhs is provided including margin money for working capital. For existing units and service enterprises, the outlay on expansion / modernisation / technology upgradation / diversification / rehabilitation should not exceed Rs. 50 lakhs.

The minimum promoters contribution is 10 Percent of project cost. The loan is repayable within 7 to 9 years including a holiday period of 2 years. The soft loan
assistance under the scheme is given upto 25 Percent of the project cost and service charge of 5 Percent p.a. for soft loan is applicable.

10. Mahila Udayma Nidhi Scheme:

This scheme is introduced for providing equity type assistance to women entrepreneurs for setting up / expanding industrial projects with projects cost upto Rs. 10 lakh. The promoters contribution is 10 Percent of the project cost. Soft loan to the extent of 25 Percent of the project cost subject to a maximum of Rs. 2.5 lakh is given under the scheme. The soft loan and the term loan are repayable over a period not exceeding nine years including an initial moratorium of not more than two years.

11. Scheme of Assistance for technology development and modernization for SSI units:

SSI units including ancillary units which are going for modernization / technology upgradation can avail this assistance. For getting this assistance the project cost should not exceed Rs. 100 lakhs. The promoters contribution is 20 Percent and the rate of interest is 13 Percent. The period of repayment is fixed as 5 years including moratorium of six months.

12. Order based finance scheme for working capital assistance to industrial units:

Under this scheme working capital assistance is provided to execute specific order from Government Dept. / public sector undertakings / financially sound private sector organization and also repetitive orders.

The scheme is restricted to SSI units assisted by MIDC whose track record is good. The unit should be in existence for a minimum period of 3 years with consistent profitability and positive network. Registered partnership firms and corporate bodies are alone eligible for this assistance. A minimum of Rs. 10 lakhs and maximum of Rs. 100 lakhs is given per unit. The rate of interest is 15.5 Percent p.a. the repayment of loan is fixed taking into consideration the order execution time / processing time and payment terms of the units buyer.

However the maximum period of repayment shall not exceed one year from the date of first disbursement.

2.19.4. Small Industries Development Bank of India (SIDBI):

SIDBI was set up under the small industries Development Bank of India Act, 1989 as a wholly owned subsidiary of the IDBI. The Bank commenced its operations
from April 2, 1990, by taking over the outstanding portfolio and activities of IDBI per training to its small scale sector.

The SIDBI was delinked from IDBI to provide greater financial autonomy and operational flexibility in 2000. Now it is operating through its Head Office at Lucknow and a network of 5 regional and 21 branch offices spread over the country.

The SIDBI is an apex institution for promotion, financing and development of industries in small scale sector and for co-ordination of the function of other agencies engaged in similar activities. The important functions of SIDBI are as follows:
1. To initiate steps technological upgradation and modernization of existing industries.
2. To expand the channels for marketing the products of SSI sector in domestic and international markets.
3. To promote employment oriented industries especially in semi urban areas to create more employment opportunities and thereby checking migration of people to urban areas.

Financial Assistance:

SIDBI has been assigned the task of being the main agency for term finance to small scale sector in the country. The finance is provided in the following ways:

1. Refinance:
The financial assistance is provided to small scale industries by way of refinance through the existing agencies comprising of SFCs, State Industrial Development Corporations, Commercial Banks and Regional Rural Banks.
2. Discounting of bills:
SIDBI discounts the bills arising out of sale of goods by small scale industries and also rediscount those bills which are discounted by banks.
3. Direct Finance:
Direct finance is provided for specialized marketing agencies, ancillary units and infrastructure development agencies and also for existing units to take up technology upgradation and modernization.
4. Venture Capital:
A Venture Capital fund of Rs. 10 Crore has been set up for extending venture capital to new ventures promoted by technocrats and other entrepreneurs based on innovative, indigenous and other technologies.
5. **Assistance to NSIC:**
SIDBI provides financial support to National Small Industries Corporation for providing leasing, hire purchase and marketing support to industrial unit.

The various schemes of financial assistance of SIDBI to Small Scale Industries is given in detail below:

1. **Schemes for cottage, village and tiny industries:**
   a) Composite loan scheme:
      This scheme is meant for artisans, village and cottage industries and industries in tiny sector. Loan upto Rs. 50,000 is given for purchase of equipment and also working capital.
   b) Scheme for SC/ST and physically handicapped persons:
      Assistance upto Rs. 50,000 is given to the above categories of persons for buying equipment and for working capital.

2. **Scheme for small road transport operators:**
   Small road transport operations who do not own more than six vehicles are eligible to get loan to meet expenditure towards cost of chassis, body building, taxes, insurance and working capital.

3. **Scheme for professionals:**
   Qualified professionals in management, medicine, architecture, engineering etc. are eligible to get assistance upto Rs. 10 lakhs for setting up of professional practice and also for acquisition of equipment.

4. **Scheme for medical profession:**
   a) Scheme for hospitals/nursing home:
      Entrepreneurs who wish to set up small hospital / nursing homes can avail assistance upto Rs. 45 lakhs under this scheme.
   b) Scheme for acquisition of electro-medical and other equipment:
      Loan upto Rs. 60 lakhs are available to qualified medical practitioners for acquisition of electro medical and other related equipment.

5. **Scheme for marketing organizations:**
   Under this scheme financial assistance is provided to individuals / partnership concerns / private / public limited companies for setting up new sales outlet or undertaking expansion of existing outlets upto Rs. 25 lakhs.

6. **Scheme for Tourism Related Activities:**
   Entrepreneurs setting up tourism related activities such as amusement parts,
tourist service agencies etc. and hotels / restaurant projects can get loan upto Rs. 45 lakhs under this scheme.

7. **Equity type assistance scheme:**
   a) **Seed Capital Scheme:** This scheme is intended for technically or professionally qualified entrepreneurs who are unable to pay the prescribed minimum promoters contribution. This is a soft loan given upto 10 Percent of the cost of project subject to a maximum of Rs. 15 lakhs.
   b) **National Equity fund scheme:** Small Entrepreneurs who set up new units or undertake potentially viable sick SSI units which are located in village / town having a population of 5 lakhs are given financial assistance to meet gap in equity. This is a soft loan given upto 15 Percent of the cost of project subject to a maximum of Rs. 1.5 lakh per project.

**Commercial Banks:**

In the past three decades, commercial banks have evolved a number of schemes tailored to the specific needs of small scale industry. The salient features of the scheme are detailed here:

1. **Liberalised Scheme:**
   Under the liberalized scheme, the State Bank of India for the first time, introduced the concept of need based approach to financing small scale industries. The bank extended financial assistance for any viable scheme. All financial requirements of met comprehensively. The scheme made a departure from the security oriented approach. No viable unit was denied financial assistance for want of security.

2. **Entrepreneur Scheme:**
   This scheme was introduced for financing technically qualified/skilled entrepreneurs. Under this scheme 100 Percent finance was provided to entrepreneurs without insisting on any minimum equity contribution. This scheme was specially designed for engineering degree and diploma holders and also individuals technically skilled through experience, but unable to bring in their own capital though they have a viable project.

3. **Equity Fund Scheme:**
   The Entrepreneurs who are unable to bring in required equity capital are assisted under the Equity fund scheme. The banks provide interest free loan under the scheme upto Rs. 1,00,000 repayable after five to seven years.

   The repayment is to be made after seven years through monthly/quarterly/half
yearly installment. The moratorium and repayment periods are stipulated within this framework depending upon the complexity of the project and its cash generating capacity.

RBI appointed a one man High Level committee headed by S.L. Kapoor to suggest measures for further improving the delivery system and simplification of procedure for credit to SSI sector. RBI has accepted some recommendations of the committee, some of the recommendations are the following:

1. Simplification of application forms.
2. Delegation of more powers to grant adhoc funds to meet temporary requirements.
3. Freedom to banks to decide their own norms for credit requirements.
4. Opening of specialized branches by banks.
5. Enhancement in the limit for composite loan to Rs. 5 lakhs\(^2\).

2.20 The Schemes of Maharashtra Government

Enterprise Development in the rural Area

Introduction:

The basic objective of the Industrial policy framed by the Maharashtra Government is to achieve massive increase in employment by promoting small and rural industries. The government is of the firm belief that given the magnitude of unemployment and the number of persons living below the poverty line, the touchstone of all industrial schemes and investments ought to be their employment potential, especially in the short term.

For this purpose a thrust has been given to establish, promote and develop the rural industries which are also called the cottage industries and village industries or small industries including tiny and household sector, particularly in backward areas where it is essentially needed.

The policies and programme of government for the development of rural industrialisation based on the utilisation of local resources and raw materials and locally availed man power and skill are translated into action through the various agencies under the Industries Department which are primarily concerned with the promotion of small and rural industries. Provisions have been made to provide infrastructure facilities. Support assistance is provided and growth centres have been promoted. Institutions like Maharashtra Industrial Development Corporation along with Small Industries Service Institute of India (SISI) and nationalized banks assume the responsibility for providing
necessary inputs to this sector. This will go a long way in reducing unemployment.
The various agencies and their schemes on subsidies are discussed below.

2.20.1 **District Industries Centre’s:**

The District Industries Centre is the institution at the District Level which provides all the services and support facilities to the entrepreneurs for setting up small and village industries.

This included identification of suitable schemes, preparation of feasibility reports, arrangements for credit facilities, machinery and equipments, provision of raw materials and extension services.

**Subsidies granted by DIC :**

- Granting 15 percent state capital subsidies for industries set up in backward areas and 20 percent for most backward areas.
- Granting 20 percent special capital subsidy for the specified industries irrespective of areas.
- Granting 5 percent additional capital subsidy for the industry, which employs more than 30 percent of women employees.
- Granting 15 percent subsidy for the purchase of new generators.
- Granting subsidy on low tension power tariff @ 40 percent, 30 percent and 20 percent for the first three years respectively.
- Granting export compensatory subsidy for leather and electronic industries.

2.20.2 **New Anna Marumalarchi Thittam :**

The scheme of Maharashtra Government on promoting industrial investment in rural areas under small scale sector particularly on agro based industries in order to have employment generation in rural areas.

Having understood the fact that the engine of industrial growth lies in agro business sector, the government have announced a scheme called “**New Anna Marumalarchi Thittam**” wherein the government direct that the scheme shall be implemented in 385 blocks of the state. Small scale industrial units not exceeding three agro based economic activity with a minimum capital investment of Rs. 1 crore and more with the capacity to generate employment would be encouraged in each of the 385 blocks in the state under the scheme.
2.20.3 Technology Upgradation Fund:

The government appealed SSI sector to come out with quality products with international standards for which the government has announced a package on 30th August 2000 viz. technology upgradation fund which will attract 12 Percent backend subsidy for the loans obtained for the purposes irrespective of area of location of the units. 12 Percent backend subsidy would be admissible on the loan advanced by the scheduled banks / specified state finance corporation to the selected category of small scale industries sectors, viz. Leather and leather products including footwear and garments, food processing, information technology (hardware), drugs and pharmaceuticals, auto spare parts and components electronic industry particularly relating to designs measuring, glass and ceramic items including tiles, dyes and intermediates, toys, tyres, hand tools, bicycle pars and found areas – ferrous and cost iron etc.

Government has ear-marked Rs. 600 crores towards this cause and the scheme has come into operation from 1.10.2000 and will remain till 30.9.2005 i.e., for 5 years period (or) till the sanction of capital subsidy by model agency i.e., SIDBI Small Industries Development Bank of India, reaches 600 crores which is earlier.

According to the procedure of the scheme, the lending institutions viz. the scheduled bank and specified state finance corporations would be required to lodge claims of capital subsidy from SIDBI on a quarterly basis. SIDBI will settle the claim expeditiously.

The scheme has been so devised that the landing institution / SIDBI would ensure preference to tiny sector for loans for technology upgradation. The entrepreneurs availing credit linked capital subsidy for technology upgradation shall not availed any other benefit including interest subsidy under any other scheme of central government.

2.21 Institutional Support to Entrepreneurs:

The development of small scale industry is a state subject. But the government of India has assumed responsibility for planning and coordinating the development programmes in view of the national importance ascribed to this sector. Therefore a number of organizations have been set up by the Government of India and the state governments to promote and develop small scale industry. The institutions that support the promotion and growth of small scale industry at the state and national levels are explained in this part. Institutions at the National level:
2.21.1 **Small Scale Industries Board (SSIB)**

The Government of India the Small Scale Industries Board in 1954. it is an apex body constituted to render advise to the government on all issues relating to the development of small scale industries. The developmental work relating to small scale industry involves several departments and various institutions of central and state governments. The main task of the Board is to facilitate coordination and linkage between various agencies / departments engaged in the development of small scale industry.

The ministry for small scale industries, government of India is the chairman of the Board. The SSIB comprises 50 members including the representatives of the Central and State government RBI, State Bank of India, financial institutions, public sector undertakings and industry associations.

2.21.2 **Small Industries Development Organization (SIDO)**

SIDO is the apex body and nodal agency for formulating, co-ordinating and monitoring the policies and programmes for promotion and development of small scale industries. Development commissioner of small scale industries is the chief of SIDO and he is assisted by various directors and advisors. SIDO is engaged in evolving and implementing various programmes of training and management consultancy, economic investigation and survey, development of different types of small scale industries, industrial estates, modernization of SSI units and development of backward areas.

The function of SIDO are performed through a network of institutions and associated agencies created for the specific functions. The SIDO function through 27 offices, 31 SISIs, 37 Extension Centres, 3 products cum process Development centres, 4 production cum testing centres and 4 regional testing centres.

**Functions:**

The main functions of SIDO are:

a) **Co-ordination:**

   The co-ordinating function include the following:

   1) To evolve a national policy for the development of small scale industries.
   2) To co-ordinate the policies and programmes of various state government.
   3) To maintain liaison with the central ministers, planning commission, state governments, financial institutions etc.
   4) To co-ordinate the programme for the development of industrial estates.
b) **Industrial Development:**

The following functions relate to industrial development:

1) To collect data on consumer items which are important and to encourage the setting up of industrial units to produce these items by providing co-ordinated assistance.

2) To assess the requirements of indigenous and imported raw materials and components and arranging the supply to small scale units.

3) To render support to ancillary unit.

4) To encourage SSI units to participate in government stores purchase programme.

5) To prepare model schemes, project reports and other technical literature for prospective entrepreneurs.

c) **Extension Services:**

The following extension services are provided by SIDO:

1) To provide technical services for improving process, production planning, factory layout and design, selection of machinery etc.

2) To provide consultancy and training to strengthen the competitive position of SSI units.

3) To render marketing assistance.

4) To assist in economic investigation and to provide information service to small scale units.

In addition, SIDO organizes awareness and motivational programmes to educate and train entrepreneurs in pollution control, energy conservation, total quality management, ISO 9000 certification etc.

2.21.3 **Small Industries Service Institution (SISI)**

The small industries service institutions are set up to provide consultancy and training to small entrepreneurs. There are 28 SISIs set up all over India.

**Function of SISI:-**

a) **Technical Advisory Service :**

1) Technical advice for setting up of new small scale units, choice of machinery design, layout, installation and operation of plant of machinery.

2) Preparation of designs and drawings for production equipment and accessories to improve production process.
3) Technical guidance on the efficient use of raw materials, utilization of substitutes, waste and scrap.

4) Technical assistance in design and development of new products.

b) **Workshop and Laboratory Services:**

   SISI have workshops, laboratories showrooms and attached to them. With the help of these workshops SISI provides the following services:

   1) Common service and tool room facilities.
   2) Carry out experiments and laboratory analysis on new and substitute raw materials.
   3) Assist in testing raw materials and new products.

c) **Management Consultancy Services:**

   SISIs provide guidance in proper methods of industrial managements including cost reduction, production management, marketing etc.

d) **Training of Workers, Foreman and Managers:**

   SISIs extension centres train workers from small industry in certain trades such as machine shop practice, tool and die making, welding, electroplating, wood working etc. Training to foremen is given on Adhoc basic as well as organized basis.

e) **Promotion of Entrepreneurship and Development of SSI in Rural and Underdeveloped Areas:**

   Development entrepreneurship by organizing training programmes for engineers, graduates, students, ex-servicemen etc. and people from backward, rural, tribal hill areas.

f) **Economic Service :**

   1) Conducting surveys of particular industries and areas and making recommendations for developmental programmes.
   2) Undertaking market surveys for industrial enterprises.
   3) Supplying marketing information in selected areas.

2.21.4 **National Small Industries Corporation (NSIC)**

   The National Small Industries Corporation (NSIC) was set up in 1955 to promote and foster the growth of small scale industry in the country. NSIC provides a wide range of services which are promotional in character.
Functions of NISC :-

a) **Supply of Machines on Hire Purchase:**

The National Small Industries Corporation supplies machines on hire purchase to small industrial units. NSIC takes upon itself the entire purchase procedure, starting from location competent suppliers to delivery of machines. In case of imported machines, it obtains clearance from Director General to arrange foreign exchange, obtains import license, opens letter of credit and looks after customers requirements and clearance of machines. NSIC supplies machinery either for the establishment of new industrial unit or for replacement of outdated or obsolete machinery as well as balancing equipment to increase productivity. SSI units can procure industrial equipments for modernization, expansion and diversification under equipment leasing scheme.

b) **Government Stores Purchase Programme:**

Under the Government Stores Purchase Programme, the director general of supplies and disposal arranges for the purchase of all stores required by the government. NSIC enlists small scale units that are competent to supply various items to the government. The registration with NSIC is a single point which avoids registration with various government agencies and ensure that the units registered with NSIC are considered on par with the units registered directly with purchasing agency. The registered small scale units are given concessions such as issue of tender sets free of cost, exemption from payment of earnest money and waiver of securing deposit.

c) **Marketing Assistance:**

NSIC provides diversified marketing support to small scale units. Giving publicity to products manufactured by small scale industries, introducing common brand name, ensuring standardization and quality control by supplying certain scarce indigenous and imported raw materials are some of the programmes of the corporation.

**Consortia Approach:**

A number of small units producing the same products are associated in the form of consortium. NSIC explores the market and secures orders in bulk quantities for the consortium. Handmade proper, hosiery items, electric fans,
stationery items, CTVs and the few items for which consortium has been formed by NSIC.

**Marketing Development Centres:**

As a part of internal marketing programme, NSIC has established marketing development centres. The centres are intended to market on all India basis as well as export a wide range of products, consumer durables, electronics products, hardware etc.

**d) Export:**

NSIC has adopted a single window assistance approach for export. NSIC’s services to export are the following:

1) To obtain enquiries, specifications and sample through its agents, participants in trade fairs and buyer seller meets to pass them on to the small scale units.

2) To assist small scale units in the development of counter samples and to dispatch them for approval by foreign buyers.

3) To negotiate contracts with foreign buyers and pass them on to small scale units.

4) To attend to entire exports documentation.

5) To monitor production, inspect products for quality and specifications.

6) To negotiate documents through normal banking channels with overseas buyers.

7) To pay 85 percent or 90 percent of the value of dispatch of goods.

**e) Supply of Scarce Raw Materials:**

NSIC imports and supplies scarce raw materials, components and parts to actual users in the small scale sector.

It also arranges raw materials on credit as per specific needs of SSI units for a maximum period of 90 days.

**f) Technical Training:**

The technical service centre set up in Okhla (New Delhi), Howrah, Chennai, Rajkot and Hyderabad provide practical training, organize special training programmes and develop prototypes of machines and equipments.
g) **Industrial Estates:**

NSIC undertakes construction of industrial estates. It has set up industrial estates in Africa, Nepal and Vietnam.

h) **Turnkey Projects:**

NSIC has taken up setting up of small scale units on turnkey basis. The services include preparation of project report, advice on local infrastructural facilities, training, supply of equipment, erection and commissioning of plants, deputation of personnel for initial operation training in the host country.

i) **Finance:**

Composite loan to the tune of Rs. 25 Lakh is offered to new/ existing units with margin money assistance of 15 Percent. The repayment of 5 years with a gestation period of 6 months.

Finance is provided for augmenting working capital of viable units on a selective basis to enable them to pay off their purchases of the consumable stores and production related items.

Bills drawn by SSI units for the supplies made to the reputed and well established enterprises are financed/ discounted for a maximum of 90 days.

**National Productivity Council : (NPC)**

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

1) Consultancy in all areas of relating to small scale industry.
2) Training youth and prospective entrepreneurs.
3) Undertaking market surveys for state government.
4) Post-investment service in areas like increasing productivity.

2.21.5 **National Research Development Corporation (NRDC)**

The National Research Development Corporation of India is established in 1953 as a non-profit organization by the government of India. It has been set up to develop and exploit local know-how, investments, patents and processes emanating from research and development institutions in India.
The functions of NRDC are as follows:

i) **Transfer of Technology:**

NRDC releases to the interested entrepreneurs, technologies, patents and processes developed in various R and D institutions in India.

ii) **Development of Projects:**

The corporation finance upto 50 percent of the expenditure involved in putting up pilot plants, building of prototypes, establishment of demonstration units, to make laboratory known how suitable for commercial exploitation and to fill gap in the existing technologies.

iii) **Development and Promotion of Appropriate Technology:**

NRDC is endeavoring to carry appropriate technology to poorer sections of the rural and semi urban population. It establishes demonstration units is suitable locations for popularization of its need based technologies. For example – it developed and introduced a pedal operated machine that can produce leaf cups from leaves that provided employment opportunities.

iv) **Export of Technology:**

NRDC through its technical information system colleges and disseminates information regarding India technologies and transfers them aboard.

v) **Guidance to Entrepreneurs:**

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

vi) **Turnkey Services:**

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

vii) **Participation in the Equity Capital:**

A scheme for participation in the equity capital of the companies formed to set up first commercial unit to exploit the technologies from NRDC has been introduced. The equity participation is upto 26 Percent of the capital in industries which requires an investment of Rs. 50 lakh or more.
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