Chapter 3
Entrepreneurship Development: The Concept

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“If those who think to achieve, have a firm and focused mind,
They will realize what they thought of, and even as they have thought of.”

- Thirukkural
3.1. Introduction

The growing awareness of the need, and urgency building “entrepreneurship” for attaining of accelerated and self-sustained economic growth could be ascribed to two factors. First, the belief is gaining ground that economic growth in the advanced countries is attributable to entrepreneurial awareness rather than to capital. In fact, several empirical studies recently conducted show that entrepreneurs or “human capital” has grown in the Western countries at much faster rate than conventional capital and has made major contribution to economic growth. Second, investment in human resources has directly contributed to economic growth by promoting the knowledge of applying of science and technology in production process, new innovations, research, and training of workers in different technical skills needed for production. The building up of right type of attitude, and interest conductive to higher output is a pre-requisite. The fundamental problem in developing countries is, therefore, not the generation of wealth but the creation of ‘capacity to generate wealth’ and strengthening, enhancing and improving the absorptive capacity of the country. A variety of concepts propounded by the past researchers seems to indicate that the emergence of entrepreneurs in a society depends upon closely interlinked economic, social, religious, cultural and psychological variables.
3.2. Entrepreneurship: A Conceptual Framework

Simon Parker (2004) had reviewed the different facets of views on entrepreneurship as a basic theory developed through ages in literature. These commentaries would clearly bring out the early and modern economic theories on entrepreneurship. He categorised the theories into early views and modern views as follows.

3.2.1 ‘Early’ views about entrepreneurship

The treatment of early views about entrepreneurship will be brief, since much of this literature has been summarised before. We will group these views by theme rather than chronologically:

3.2.1.1 Arbitrage and the bearing of uncertainty: Richard Cantillon (1755 cited by Simon Parker, 2004) stressed the importance of the entrepreneur as an arbitrageur or speculator, who conducts all exchanges and bears risk as a result of buying at certain prices and selling at uncertain ones.

3.2.1.2 Co-ordination of factors of production: According to Jean-Baptiste Say (1828 cited Simon Parker, 2004), the chief contribution of the entrepreneur is to combine and co-ordinate factors of production. The entrepreneur stands at the centre of the economic system, directing
and rewarding the various factors of production, and taking the residual as profit.

3.2.1.3 **Ideology:** The German sociologist Max Weber (1930 cited by Simon Parker, 2004) was possibly the first theorist to point out that ideological values lead directly to entrepreneurial behaviour. Religion and its impact on enterprising culture were first analyzed by Weber in the Western context. Weber’s outlook of entrepreneurship is often branded with the theory of charisma, and according to this interpretation, this main contribution is to be found in his analysis of that special type of human being - the charismatic person - who makes other people want to follow him or her, simply by virtue of his or her extraordinary personality. According Weber, charisma has only functioned as an imperative motor of change during the early stages of humankind, and it is much less significant in capitalist society, where economic change is mainly due to enterprises being geared to profit opportunities in the market.

3.2.1.3 **Innovation:** According to Josef Schumpeter (1934 cited by Simon Parker, 2004), entrepreneurship entails innovation. The entrepreneur does not operate within conventional technological
constraints, making small gradual changes to existing production methods; instead, he develops new technologies or products that make discrete discontinuous changes that shift the paradigm altogether. In Schumpeter’s words, the entrepreneur as innovator is responsible for ‘the doing of new things or the doing of things that are already being done in a new way’. This could involve (i) the creation of a new product; (ii) a new method of production; (iii) the opening of a new market; (iv) the capture of a new source of supply; or (v) a new organisation of industry.

3.2.1.4 Leadership and motivation: In contrast to Schumpeter, others have claimed that a defining feature of entrepreneurs is that they bring about changes of a gradual nature to existing products and processes, through a combination of leadership, motivation, the ability to resolve crises and risk-taking.

3.2.1.5 Personal or psychological traits: This line of thought relates entrepreneurship to the possession of personal characteristics. The skills or traits attributed to entrepreneurs ranged wide from need for achievement, optimism, creativity to risk taking. Modern campaigns and efforts are also equipped to identify and mould these traits.
3.2.2 ‘Modern’ views on Entrepreneurship

Modern theories take as their starting point the Knightian premise that individuals do not have to be entrepreneurs. They can choose between entrepreneurship and some outside option (usually taken to be paid-employment); and they choose the occupation that offers them the greatest expected utility. Most theories treat occupational choice as a discrete, rather than a continuous, decision. This follows Kanbur (1981 cited by Simon Parker, 2004), who noted the difficulty of viewing occupational choice as an adjustment at the margin of a continuous process, such as ‘engaging a ‘little bit’ more in entrepreneurial activity’.

Kirzner (1973 cited by Simon Parker, 2004) initially developed a theory of entrepreneurship that contained three concepts; viz, (1) alertness by individuals to gain pure profits which is the force that generates the market process and determines its direction; (2) using Hayek’s concept of an equilibrating force, the entrepreneur, by arbitraging markets, creates a greater consistency or compatibility of plans; and (3) Kirzner regarded the ownership of physical resources to the totally distinct from the entrepreneurial process. Kirzner excluded time and uncertainty from his original theory.

“Pursuit” implies a singular, relentless focus. Entrepreneurs often perceive a short window of opportunity. They need to show tangible progress to attract resources, and the mere passage of time consumes limited cash balances. Consequently, entrepreneurs have a sense of urgency that is seldom seen in established companies, where any opportunity is part of a portfolio and resources are more readily available.

“Opportunity” implies an offering that is novel in one or more of four ways. The opportunity may entail: 1) pioneering a truly innovative product; 2) devising a new business model; 3) creating a better or cheaper version of an existing product; or 4) targeting an existing product to new sets of customers. These opportunity types are not mutually exclusive. For example, a new venture might employ a new business model for an innovative product. Likewise, the list above is not the collectively exhaustive set of opportunities available to organizations. Many profit improvement opportunities are not novel–
and thus are not entrepreneurial—for example, raising a product’s price or, once a firm has a scalable sales strategy, hiring more reps.

“Beyond resources controlled” implies resource constraints. At a new venture’s outset, its founders control only their own human, social, and financial capital. Many entrepreneurs bootstrap: they keep expenditures to a bare minimum while investing only their own time and, as necessary, their personal funds. In some cases, this is adequate to bring a new venture to the point where it becomes self-sustaining from internally generated cash flow. With most high-potential ventures, however, founders must mobilize more resources than they control personally: the venture eventually will require production facilities, distribution channels, working capital, and so forth.

Mark Casson (1990 cited by Simon Parker, 2004) synthesized and extended previous work by Knight, Schumpeter, Krizner and many others. Casson defined an entrepreneur as “someone who specializes in taking judgemental decisions about the coordination of scarce resources”. Cason (2003 cited by Simon Parker, 2004) also pointed out that the true hallmark of successful entrepreneurship is the ability to take good decisions.
Marc J. Dollinger (2003 cited by Simon Parker, 2004) of Kelley School of Business, Indiana University suggested the resource based theory which is the most appropriate to understand new venture creation because it best describes how entrepreneurs themselves build their businesses from the resources and capabilities they currently possess or can realistically acquire. Using resources that are rare, valuable, hard to copy, and have no good substitutes in favourable industry conditions provides sustainable competitive advantage.

According to National Knowledge Commission Report on Entrepreneurship (2008), ‘entrepreneurship is the professional application of knowledge, skills and competencies and/or of monetizing a new idea, by an individual or a set of people by launching an enterprise de novo or diversifying from an existing one (distinct from seeking self-employment as in a profession or trade), thus to pursue growth while generating wealth, employment and social good’. This broadest and generalisable definition is in fact having formed a frame for this research undertaking. Entrepreneurship is thus viewed as income generating activities that could provide employment as well as social well-being. This could comprise of micro, small and medium scale ventures in particular that could in turn act as the engines of growth in an inclusive manner.
3.3 Entrepreneurship and National [Economic] Development

The industrial health of a society depends on the level of entrepreneurship existing in it. A country might remain backward not because of lack of natural resources or dearth of capital [as it is many times believed] but because of lack of entrepreneurial talents or it inability to tap the latent entrepreneurial talents existing in that society. Entrepreneurs historically have altered the direction of national economies, industry or markets-Japan, Singapore, Korea, Taiwan to name a few. Entrepreneurship begets and also injects entrepreneurship by starting a chain reaction when the entrepreneur continuously tries to improve the quality of existing goods and services and add new ones.

Abdul Kalam (1998) asserted that the obvious indicators of a developed country are the wealth of the nation, the prosperity of its people and its standing in the international forum. There are many indicators regarding the wealth of a nation: the gross national product (GNP), the gross domestic product (GDP), the balance of payments, foreign exchange reserves, rate of economic growth, per capita income, etc. In addition, the volume of trade, the share in international trade (both imports and exports) and rate of growth in both of these also provides an idea about the strength of economy and its ability to sustain the wealth created and to create more.
Abdul Kalam (ibid) viewed that the literacy rate can be expected to improve from 52 percent in 1991 to roughly 80 percent in 2020. The life expectancy at birth is expected to improve substantially. There is likely to be a large population of young people with aspirations of a better lifestyle. There would be a large reservoir of literate and skilled persons. There is also a greater likelihood of more women taking part in direct economic activities including entrepreneurship. Indians not only have a great learning capability but most of them also have an entrepreneurial and competitive spirit. Today, there are not enough avenues to chandelier this spirit constructively and productively. That is what we should aim for. Naturally, the vision products several elements, that capitalize on this vital resource of India. The details of the emphasis vary from sector to sector, whether it is agro-food or materials or biotechnology or strategic industries, and into account both socioeconomic needs and the complexities of the technologies involved.

Development of entrepreneurial skills and employment generation by the Government, NGOs and financial institutions, Creation of entrepreneurial attitude and spirit, achievement motivation, improved availability and management of credit facilities are vital for entrepreneurial growth. Economic development involves a movement from one state of the economy to another, is
often endorsed to the actions of entrepreneurs who are the change-agents in the economy. Entrepreneurs are the directors in the play of economic development who move heaven and earth in the theatre of the nation’s economy to accelerate the course of economic development through innovations, adventurism, countless risk-bearing and optimum synchronization of factors of production. The entrepreneurship exists in every field of economic endeavour.

**Exhibit 3.1**

**Socio Economic Development through Entrepreneurship Development**

3.3.1 Economic Policy: Creating Entrepreneurial Environment

Stanley Wolpert (2006) reviewed that India, by the end of the eighteenth century, had attained a high degree of development not only in agriculture but also in a wide variety of industries. He further stated that economic development in India was initiated in 1952 through the formulation of Five-
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Year Plans, which set the direction of growth for the Indian economy. The government’s economic policy under planning was predicated on four basic premises. First, the economy would not achieve rapid growth and egalitarian income distribution under free markets; therefore, the state must intervene in multiple ways. As a consequence, a comprehensive regulatory apparatus whose wings spread to all sectors of the economy emerged. Second, the economy should pull itself up by its own bootstraps, which meant in practice that it should operate almost as a closed economy, producing as many products as possible domestically and assigning a marginal role to foreign trade. Third, the public sector should occupy a commanding height in the economy, producing basic goods like steel and machinery, with consumer goods playing a complementary role. Fourth, the growth should benefit the most disadvantaged classes of society, affording them more employment opportunities and more equal income distribution.

Stanley Wolpert (ibid) found that the government is creating incentives to foster entrepreneurship which can contribute in social, economic, psychological, political and environmental development of the nation. The Industrial Policy Statement of 1991 stated that the Government will continue to pursue a sound policy framework encompassing encouragement of
entrepreneurship, development of indigenous technology through investment in research and development, bringing in new technology, dismantling of the regulatory system, development of the capital markets and increased competitiveness for the benefit of common man.

OECD (2003) reported that as a means of generating jobs and raising incomes, increasing rates of enterprise creation is an almost universal concern among local authorities. Along with efforts to attract investment, stimulating entrepreneurship is one of the two pillars of most local and regional development strategies. Nevertheless, few empirical studies have systematically examined the relationship between the creation of new firms and local economic development. A greater understanding exists of the interactions between enterprise births and national and regional economic development.

3.3.2 Entrepreneur and Entrepreneurship: The lead to Nation’s Development

NKC report on Entrepreneurship (2008) reviewed that entrepreneurship means different things to different people. Conceptually and in practice, the term hints of no stereotypical model. Yet, its’ very etymology – derived from the French ‘entreprendre’ which literally means, ‘to undertake’ – indicates the minimum characteristics of an entrepreneur.
Vasant Desai (2009) defined that an entrepreneur is one of the most important inputs in the economic development of a country or of regions within country. Entrepreneurial competence makes all the difference to the rate of economic growth. He also pointed out that entrepreneurship is the propensity of mind to take calculated risks with confidence to achieve a predetermined business or industrial objective. Entrepreneurship in India, therefore, has to subserve the national objective. There is an apparent conflict between social objectives and economic imperatives. A high sense of responsibility is thus an essential attribute of emerging entrepreneurship in India.

### Exhibit 3.2

**Entrepreneurship: Major Definitions through the Timeline**

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Author</th>
<th>Crux of Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1755</td>
<td>Richard Cantillon</td>
<td>“Risk Taker”</td>
</tr>
<tr>
<td>1803</td>
<td>J. B. Say</td>
<td>“Economic Agent”</td>
</tr>
<tr>
<td>1920</td>
<td>Marshall</td>
<td>“Cost Minimisers”</td>
</tr>
<tr>
<td>1921</td>
<td>Knight</td>
<td>“Contributors to Society Bearing Uncertainty”</td>
</tr>
<tr>
<td>1934</td>
<td>Schumpeter</td>
<td>“Innovator”</td>
</tr>
<tr>
<td>1961</td>
<td>David McCleland</td>
<td>“Achiever”</td>
</tr>
<tr>
<td>1964</td>
<td>Marshall</td>
<td>“Equilibrium Creator”</td>
</tr>
<tr>
<td>1964</td>
<td>Peter Drucker</td>
<td>“Exploiter of Opportunities”</td>
</tr>
<tr>
<td>1971</td>
<td>Kilby</td>
<td>“Imitative Entrepreneurs”</td>
</tr>
<tr>
<td>1972</td>
<td>Bill Dreyton</td>
<td>“Social Entrepreneurship”</td>
</tr>
<tr>
<td>1975</td>
<td>Howard Stevenson</td>
<td>“Pursuit of Opportunities with regard to Opportunities Controlled”</td>
</tr>
<tr>
<td>1975</td>
<td>Albert Shapero</td>
<td>“Having Locus of Control”</td>
</tr>
<tr>
<td>1975</td>
<td>Shultz</td>
<td>“Situational Entrepreneurship”</td>
</tr>
</tbody>
</table>
3.4 Entrepreneurship Pyramid in India

The role of entrepreneurship is not confined only to creation of enterprises, but also includes creation of the capacity to produce wealth, jobs and income, which are the most direct indicators of economic development. In fact, underdevelopment is not because of the lack of natural resources but because of the absence or inadequate supply of entrepreneurs. If only natural resources were the key determinant of economic growth, the entire African continent or Latin America or most of Asia would have been developed.

The Entrepreneurship ‘Pyramid’ in India as studied by NKC (ibid) in terms of sectors and numbers of people engaged is made up of the following

- Level 1: Agriculture and other activities: Crop production, Plantation, Forestry, Livestock, Fishing, Mining and Quarrying.
- Level 2: Trading services: Wholesale and retail trade; Hotels and restaurants
- Level 3: Old economy or traditional sectors: Manufacturing, Electricity, Gas and Water supply
• Level 4: Emerging sectors (including knowledge intensive sectors): IT, Finance, Insurance and Business services, Construction, Community, Social & Personal Services, Supply Chain, Transport, Storage, Communication etc.

3.5 Entrepreneurial Development: The Concept

Mishra (2005) regarded entrepreneurship development as an approach of developing human resources. It is concerned with the growth and development of people towards high level of competency, creativity and fulfillment. This approach helps people to grow in self-control, responsibility and other abilities and then try to create a climate in which all clients may contribute to the limits of their improved abilities. It is assumed that expanded capabilities and opportunities for people will lead directly to improvement in operating effectiveness. Thus, entrepreneurship development as an approach does not confine itself in setting up enterprises but surpasses this limit in creating conducive climate for optimum utilization of limited and scattered resources and making people functional in all walks of life.

NKC (2008) affirms that enhancing entrepreneurship involves the community, family, academia, financial players, government, industry, and potential entrepreneurs themselves. Promoting Entrepreneurship means encouraging
people to be self-reliant in taking economic decisions and creating wealth and employment. NKC expressed their belief that entrepreneurship has enormous scope in India’s growth story.

Entrepreneurship is the creative response to an environment that combines innovativeness, readiness to take risk, sensing opportunities, heightened initiative, perceiving and mobilizing potential resources, concern for standard of excellence, persistence in achieving the goal, positive orientation to problem solving and constant striving for growth and excellence. When all these attributes are developed in one person, the person can be found in any field of activity such as industry, business, education, public or professional bodies etc. But wherever they go they create a landmark, turn the direction of the tide and attain heights. In the economic field entrepreneurship refers to identifying/innovating ideas, product and services, mobilizing resources, organizing production/services and finally marketing those covering the risk with constant strive for growth and excellence. There is enough empirical evidence to suggest that whenever the number of such person has grown in a society or country that that society/country has attained greater prosperity at that point of time. Every country, therefore, needs large number services of various types for attaining national prosperity.
NKC (ibid) asserts that the triggers to entrepreneurship development are individual motivations for entrepreneurship, socio-cultural factors, access to early stage finance, education, incubation, and business environment for entrepreneurship.

Development of entrepreneurship refers to all those activities undertaken to encourage a prospective entrepreneur to set up an industrial unit. It is the process of bringing out the ‘entrepreneur’ in an individual. Entrepreneurship development concept is based on the fact that individuals can be developed and their ideas can be converted into action through an organized and systematic programme for the entrepreneur. Entrepreneurship development can be studied by using two approaches, indirect approach and direct approach.

🌟 Indirect approach to Entrepreneurship Development includes all those measures required to create a suitable environment for the entrepreneur to operate in. These measures include provision of financial assistance, financial incentives like tax concessions, subsidies, concessional finance, preference in government purchase, creation of infrastructural facilities and encouraging capital formation. Availability of various infrastructural facilities is an essential component of entrepreneurship development.
The direct approach to Entrepreneurship Development focuses on the development of the man rather than the environment. The main aim is to train people to perform the role of the entrepreneur. It consists of developing entrepreneurial aptitude among those people with identifiable entrepreneurial traits. These potential entrepreneurs can be trained in all aspects of establishing and managing an industrial enterprise. The training agency assists them in selecting a project and setting up the unit. The need for such an approach was identified in the early seventies and the fifth five year plan onwards provided its agenda on entrepreneurship development.

3.5.1 Entrepreneurial Development: The Process

Asian Productivity Organisation (2007) asserts that the entrepreneurship movement in India began in the 1960s with the establishment of the National Institute of Small Industry Extension Training (NISIET). NISIET was the first institution to develop an Entrepreneurship Development Program (EDP) model in India. In addition, Entrepreneurship and Business Development Centers are being implemented through select universities/colleges/regional engineering colleges and other institutions/organizations in India. SIDO, NABARD, RBI
and EDI also provide support for entrepreneurship development. Entrepreneurship has long been a subject in postgraduate courses in the Indian Institutes of Management (IIM), the Indian Institutes of Technology (IIT), and other engineering Colleges. Tool Rooms under SIDO, Regional Industrial Technical Institutes (ITIs), and Polytechnics in the public sector; and NGOs and social entrepreneurs in the private sector impart technical skills to youth and practicing entrepreneurs in India. In Kerala, the Kerala Institute for Entrepreneurship Development (KIED) is a Public Sector Training Institute for entrepreneurs.

The experience has shown that two major factors have played significant role in developing entrepreneurship. One of them is the development of human factors – the entrepreneur himself, another major factor in the development of environment where entrepreneurial activities can flourish and grow. The human factor refers to the, values, attitude, desire and motivation of individual, his capability to perceive the environmental changes and opportunities as well as his ability to solve the problem which entrepreneur is likely to face. All these qualities differ on the average from country or culture-to-culture and these differences are related to rare of economic growth. These qualities known to be entrepreneurial qualities are not inherited by a person rather acquired in
the process of socialization in a particular culture. Emergence, growth and development of entrepreneurial qualities takes root in childhood and continue to get sharpened with conscious attempt.

Many attempts in promoting entrepreneurship in different countries have yielded variety of experiences. Some were highly successful other disappointing and perhaps the majority were cases that had the possibility of considerable success. Analyzing these past experiences mainly from the perspective of the client system the whole process of entrepreneurship development can be seen as a process having three distinct phases, viz., Stimulatory, Support and Sustaining.

3.5.1.1 Stimulatory Phase

This initial phase would include all such activities that stimulate the specific target group. These activities may be in the form of generating entrepreneurial awareness, identifying potential entrepreneurs, developing enterprise launching & enterprise managers to the local situation etc. These stimulatory activities help in the emergence entrepreneurs in the society. This prepares the background from where people start looking for entrepreneurial pursuits. It generates the initial motivation, helps people perceive opportunities and incentives that
awakes them besides acquiring relevant information and skills. All these taken together stimulate entrepreneurship in a society.

3.5.1.2 Support Phase

This group of activities provide nurturance & help to the already stimulated entrepreneurs to move ahead in achieving his immediate goal of setting up and running his enterprise. Such activities may include the arrangement of infrastructural facilities, technology, finance, market support, licensing etc. These activities remove many hurdles which are likely to cause sickness to the unit or which discourage the new entrepreneurs.

3.5.1.3 Sustaining Phase

Activities in this phase are those that help the entrepreneur in continued, efficient and profitable running of his enterprise. After the stimulation of entrepreneurship and subsequent adequate support the entrepreneur succeeds in starting his unit. Quite often, however, an entirely new set of problems crop up before him once he commences production. He may not be fully prepared. For some of them it may be non-viable due to many unforeseen and uncontrollable factors. The small enterprises are susceptible to a variety of vagaries. Even well
managed units may suffer closure for want of raw materials, lack of availability of substitute, change of skilled hands, etc. Such causalities which are comparatively higher in the small units require a lot of sustaining activities like: Helping in modernization/diversification/expansion/product substitution, additional financing for full capacity utilization, modification of changing legislation/policy affecting units etc. Each phase of activities mentioned above is highly interactive, supplementary and crucial to the other phases. If there is a flow in the planning and execution of one phase, the other phase may be rendered anfractuous. Often it is found that the promotional agencies place excessive emphasis on support activities such as arranging finance, providing plant and machinery on long term basis, and establishing industrial estates to provide the infrastructure like land, shed, and power etc. However, in models where stimulatory phase is neglected and it begins with support activities, the outcome can be non-availability of entrepreneurs and lack of motivation to run their enterprises efficiently. If outsiders are brought in, the lack of acquaintance with the locality may render the industry sick, which may further be aggravated if the programme does not have sustaining activities. Stimulatory activities
are sometimes over emphasized at the cost of other activities which may result in an over abundance of budding entrepreneurs but there may be a lack of timely support from concerned agencies. This will not only demotivate entrepreneurs, this may also have a negative multiplier effect. The ultimate causality in this process is the credibility of the agencies concerned with entrepreneurship development. Similarly if provision is made for sustaining activities without arranging a matching degree of stimulatory or support activities, there may be not be sufficient number of units to be sustained. Thus balanced emphasis is required on all the three phases to set desired result on continued basis.

**Exhibit 3.3**

**Entrepreneurial Development Process**

<table>
<thead>
<tr>
<th>ENTREPRENEURIAL DEVELOPMENT PROCESS</th>
<th>STIMULATORY</th>
<th>SUPPORT</th>
<th>SUSTAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Education</td>
<td>Registration of unit</td>
<td>Help modernization</td>
<td></td>
</tr>
<tr>
<td>Planned Publicity for Entrepreneural Opportunities</td>
<td>Arranging Finance</td>
<td>Help Diversification / expansion/substitute production</td>
<td></td>
</tr>
<tr>
<td>Identification of potential entrepreneurs through scientific method</td>
<td>Provoking land, shed, power, water etc.</td>
<td>Additional financing for full capacity utilisation</td>
<td></td>
</tr>
<tr>
<td>Motivational Training to new entrepreneurs</td>
<td>Guidance for selecting and obtaining machinery</td>
<td>Deferring repayment/ interest</td>
<td></td>
</tr>
</tbody>
</table>
Help and guidance in selecting products and preparing project reports

Making available techno-economic information and project reports

Evolving locally suitable new products and processes

Availability of local agencies with trained personnel for entrepreneurial counseling and promotions

Creating entrepreneurial forum

Recognition of entrepreneurs

Supply of scarce raw material

Getting license/import license

Providing common facilities

Granting tax relief or other subsidy

Offering management constancy

Help marketing products

Providing information

Diagnostic industrial extension/consultancy/sources

Production units legislation/policy charge

Product reservation/creating new avenues for marketing

Quality testing and improving services

Need based common facilities center


3.5.2 Entrepreneurial Development Programmes: Recent Approaches

With the increased emphasis of developing entrepreneurs, witnessed a phenomenon change has been witnessed in its approach to create entrepreneurial awareness and generate entrepreneurship in the society. What appears to be most significant is their realization that no approach can meet all requirements in dealing with diverse population scattered over widely dispersed area of any country. Consequently, different types of
entrepreneurship development training programmes took a shape in making it as an effective preposition for industrial development.

3.5.2.1 Target Oriented EDPs

Such EDPs are directed and planned for a specific group that has distinguishing features as compared to other groups. It is because of the fact that target audience varies in terms of their background, experiences, training and exposure to business world. Moreover, the size of the proposed enterprise may also vary from one target group to others. These variations demand for the matching training inputs with varying degree of intensity to bring these entrepreneurs to the threshold from where they can launch their enterprise and are able to manage them successfully.

3.5.2.2 Location Specific EDPs

In order to reduce regional imbalance and the imbalance that may exist between progressive and non-progressive areas, it is of considerable importance to plan EDPs depending on the characteristics of the area itself. Location in terms of urbanization, concentration of specific target group in a particular area etc. may be considered under such specific EDPs.
3.5.2.3 Product and Process Oriented EDPs

The late Eighties experienced a shift from Target Oriented EDP. Such EDPs are organized for a group of prospective entrepreneurs who opt for enterprises having set product line or process such as dairy technology, plastic or electronics or construction materials or food technology etc. It seems to have a great future, but some of the efforts made recently were found suffering from the lack of appreciation of the role played by inputs, other than product and process orientation. In the absence of such comprehensive programme, the acquired knowledge and skills about product and process will not automatically result in development of entrepreneurial quality, competence for enterprise launching and ability to manage which are crucial to start and ensure success.

3.5.2.4 Non-Governmental and Social Way to EDPs

Late Eighties and early Nineties witnessed a dramatic changeover in the Entrepreneurship Development with the Self Help Group based model in different States of India particularly in Kerala. Different NGOs through government support and initiatives took this route to eradicate poverty and unemployment in the State. The programs covered such
areas as acquiring of raw material up to final product manufacturing, traits of entrepreneurs, customer relationship, creative thinking, identifying the business opportunities and basic concepts of entrepreneurship. EDPs were also conducted for women from the rural area to inculcate and promote home based business environment.

Social Entrepreneurship offers market-based solutions to social problems. It also challenges the market status quo by introducing new variety of organizational structures. However, unlike a commercial enterprise, social benefit is fundamental to a social enterprise. It not only creates social value but also creates economic value. Traditionally, people think of not-for-profits agencies as being responsible for creating social value and profits oriented organisations for creating economic value. Social entrepreneurship brings these dichotomies together, marrying social interest and market mechanisms to create both social and economic value under the ambit of a new type of institution. The hallmark of social entrepreneurship is its ability to combine social interests with business practices to effect social change.

Social entrepreneurship has been doing well in gaining attention recently with Professor Yunus and his Grameen Bank winning the Nobel Peace Prize and spurring budding young entrepreneurs to step up to the plate and provide
innovative economic and social solutions to problems plaguing our communities. As Amartya Sen suggested, development requires removal of major sources of unfreedom; poverty, tyranny, poor economic opportunities, systematic social deprivation, and neglect of public facilities as well as intolerance.

Entrepreneurship Development has now developed into a well-structured platform with classified objectives as to cater facets of the society and economy at large. Corporate entrepreneurship, Social Entrepreneurship and related extremes have given new dimensions of socio economic development in the decades post liberalization. The present study attempts to confine to the scope of micro and small scale ventures under the SHG platform.

3.5.3 Recent Initiatives from Government

In the post-independence era, the Government of India has realized and revealed the importance of the small scale sector. Every possible step was taken to uplift the small scale sector to cope with the new phase of the economy by providing financial and technical support. They include regulatory measures on the one hand and fiscal concessions on the other. There are different types of instruments such as exemptions, subsidies and incentives.
The Government has taken a number of initiatives to promote and protect the interest of the small scale entrepreneurs. It consists of the training of women entrepreneurs, Trade Related Entrepreneurship Assistance and Development Scheme for Women (TREAD), Rural Employment Generation Programme (REGP), Prime Ministers Rosger Yojana (PMRY), Mahila Coir Yojana, National Manufacturing Competitiveness Programme and the like.

Apart from Development Financial Institutions, Non-Financial Institutions were also established with the purpose of fostering small scale industries. Among the Non-Financial Institutions, the MSME-DIs, having a wide range of activities is unique in the field. The Micro, Small and Medium Enterprises – Development Institutes (MSME-DIs), formerly the Small Industries Service Institutes (SISIs), were started in 1956, under the Ministry of the MSME, Government of India, for the overall promotion and development of Small Industries.

Mathew Antony (2012) further states that In Kerala the MSME sector plays a pivotal role in terms of economic growth and employment generation. The MSMEs face problems at every stage of their operations, whether it is the buying of raw material, the manufacture of products, the marketing of the goods or the raising of finance.
NKC (2008) suggested that the government should encourage a conducive business environment; ensure simplified startup processes; improve the delivery time; reduce corruption; collate informational needs of start-ups; improve corporate governance norms; create an environment that will reduce risk; and encourage more seed funds and corporate players to provide start-up funding. NKC also suggested developing formal and informal systems of active, regular mentoring by successful entrepreneurs, platforms for networking and peer recognition, and honour successful emerging entrepreneurs at regular intervals.

In this line, the Government of Kerala has introduced startup villages and business incubation centers to foster entrepreneurship. A novel concept for supporting student entrepreneurs in their academic pursuits through grace marks and condonation in attendance requirements could surely assist meritorious, skilled talents to nurture in a much favourable environment. Kerala’s Vision 2030 also envisages making the state a model for entrepreneurship development.

3.6 Sustainable Entrepreneurship

The concept of sustainability came in 1987 as the World Commission on Environment and Development of the United Nations (often cited as
Brundtland Commission) defined sustainable development as a process in various fields of business and development. The commission cleared that the sustainability is more important for the future and in long-term interest rather than the present and short-term. Sustainability will be a match of resources, investments, process, technology, organizational change essential for the current implementation beneficial for the future generation.

World Business Council for Sustainable Development defines sustainable entrepreneurship as the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families, the local and global community as well as future generations. In other words, sustainable entrepreneurship means making and combining the things in a way that take into consideration the short, medium, and long-term interests.

Sustainable entrepreneurship is making the right balance with the environmental condition (social, economical, cultural, political, legal, technological, business, and ecological) and adds to the social responsibilities and ethics. The key points for sustainable entrepreneurial success include value addition to assets, catalysing a network within the entrepreneurial community, collaboration with all stakeholders and groups for social value within the
entrepreneurial activity being carried out, developing and understanding the environmental issues and promoting sustainable entrepreneurship, developing sustainable values within the society and entrepreneurial activity, forming network of cluster businesses, improving quality and innovation; and mutual participation and development in the decision making process.

3.7 Why to Concentrate on MSME?

Mathew Antony (2012) asserts that in the developing countries, small scale industries can play a key role in the achievement of national economic objectives that include an increase in the supply of manufactured goods, the promotion of capital formation, the development of indigenous enterprises and skills and the creation of employment opportunities. Their main socio-economic goals include remedial measures in order to reduce the regional imbalances within the country. It is, no doubt, true that in the case of underdeveloped countries, the process of transformation, either germinating within the rural segment or bringing the latter within its orbit of influence, will play a crucial role and should, therefore, occupy an important position in their development strategy.

The Micro, Small and Medium Enterprises (MSMEs) sector is the backbone of the country’s economy as it is the principal contributor to manufacturing,
exports and employment generation. MSMEs are the growth engines of our economy. In most countries, MSMEs constitute over 90% of enterprises. In addition, they contribute a major share to industrial production and exports besides creating employment opportunities. The Organisation for Economic Co-operation and Development (OECD) reports that more than 95% of enterprises in the OECD area are MSMEs. In these countries, MSMEs account for almost 60% of private sector employment.

According to a report by International Finance Corporation (IFC) that conducted a study across 132 countries, there are 125 million MSMEs with 85 million located in emerging economies. MSMEs have registered a growth of 6% between 2000-2009 globally, with Europe and Central Asia experiencing a growth of 15%.

Grant Thornton (2013) asserted that in India, MSMEs contribute significantly to production, exports and employment, thereby playing a significant role in the economic growth of the country. As per latest estimates, the sector contributes nearly 8% to the country’s GDP, 45% to the manufactured output and 40% to the country’s exports, while providing employment to 60 million people in more than 28.5 million enterprises.
Chapter 3

The Role and Impact of Non-Governmental Organisations in Entrepreneurship Development in Kerala

Exhibit 3.4

Broad Classification of MSMEs in India

<table>
<thead>
<tr>
<th>Total Number of MSMEs</th>
<th>29.8 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered MSMEs</td>
<td>1.8 Million</td>
</tr>
<tr>
<td>Unregistered MSMEs</td>
<td>28 Million</td>
</tr>
<tr>
<td>Unorganised Sector</td>
<td>30 Million</td>
</tr>
</tbody>
</table>

[Source: MSME Census
National Commission for Enterprises in the Unorganised Sector (NCEUS)]

Exhibit 3.5

Key Statistics on Economic Contribution of MSME

<table>
<thead>
<tr>
<th>Share of</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Units</td>
<td>95 %</td>
</tr>
<tr>
<td>Industrial Output</td>
<td>45 %</td>
</tr>
<tr>
<td>Exports [in value]</td>
<td>40 %</td>
</tr>
<tr>
<td>Employment [in millions]</td>
<td>60</td>
</tr>
</tbody>
</table>

[Source: Ministry of MSME
Annual Report, 2009-10; Reserve Bank of India (RBI)]
Exhibit 3.6
Major State-wise Distribution of Working Enterprises

<table>
<thead>
<tr>
<th>State / UT</th>
<th>Number of Working enterprises (lakhs)</th>
<th>Percent Share [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tamil Nadu</td>
<td>2.34</td>
<td>14.95</td>
</tr>
<tr>
<td>Gujarat</td>
<td>2.30</td>
<td>14.70</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>1.88</td>
<td>12.00</td>
</tr>
<tr>
<td>Kerala</td>
<td>1.50</td>
<td>9.60</td>
</tr>
<tr>
<td>Karnataka</td>
<td>1.36</td>
<td>8.71</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>1.07</td>
<td>6.84</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>0.87</td>
<td>5.54</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>0.55</td>
<td>3.51</td>
</tr>
<tr>
<td>Bihar</td>
<td>0.50</td>
<td>3.20</td>
</tr>
<tr>
<td>Punjab</td>
<td>0.48</td>
<td>3.08</td>
</tr>
<tr>
<td>Others</td>
<td>2.79</td>
<td>17.87</td>
</tr>
</tbody>
</table>

[Source: Adapted from MSME Annual Report 2012-2013]

As per the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the MSMEs are classified into two segments, viz., Manufacturing Enterprises and Service enterprises. Manufacturing Enterprises refers to enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and
regulation) Act, 1951, and Service Enterprises refers to the enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment. As per the classification investment caps are also used to categories units into micro, small and medium undertakings.

**Exhibit 3.7**

**Classification of MSMEs**

<table>
<thead>
<tr>
<th>Description</th>
<th>Investment in Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In the Case of</strong></td>
<td><strong>In the Case of</strong></td>
</tr>
<tr>
<td><strong>Manufacturing Enterprises</strong></td>
<td><strong>Service Enterprises</strong></td>
</tr>
<tr>
<td><strong>Micro Enterprises</strong></td>
<td>Up to INR 25 lakhs</td>
</tr>
<tr>
<td><strong>Small Enterprises</strong></td>
<td>Above INR 25 lakhs up to INR 5 Crores</td>
</tr>
<tr>
<td><strong>Medium Enterprises</strong></td>
<td>Above INR 5 Crores up to INR 10 Crores</td>
</tr>
</tbody>
</table>
| **Grant Thornton (ibid)** argues that despite the laurels, the growth of the sector has been significantly constrained owing to gaps in financing needs of MSMEs. In addition to the dearth of access to formal finance, MSMEs also suffer from technological obsolescence, marketing constrains, inadequate infrastructure and scarcity of skills.**

Pondering on this we could understand the reason behind policy support in favour of MSMEs particularly through development assistance and capacity
building. Business units under SHG framework also fall into this category where in NGOs have a deliberate role to play. The role of NGOs in supporting entrepreneurship development through formation, instigation, training and marketing and financing arrangements needs to be studied. Their structure and impact on the entrepreneurship development in the State of Kerala also attracts attention.

3.8 Conclusion

Successful entrepreneurship development practice, in these cases, was rooted in entrepreneurial leadership – leaders who recognized opportunities to take a different economic development approach and identified the resources needed to create an environment that was supportive of entrepreneurial development. These leaders came from different organizations – private companies, educational institutions, nonprofit service providers – but they all had entrepreneurial and leadership skills that were used in the service of economic development. These civic entrepreneurs also had a strong commitment to place and to building an entrepreneurial environment that, in turn, would create a sustainable, economically viable region with a high quality of life.
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