

ENTREPRENEURSHIP DEVELOPMENT

III BA ECONOMICS

PAPER CODE: U15EC5C10

SEMESTER – V

UNIT-I

Concept of Entrepreneurship

Entrepreneurship is the ability and readiness to develop, organize and run a business enterprise, along with any of its uncertainties in order to make a profit. The most prominent example of entrepreneurship is the starting of new businesses.

In economics, entrepreneurship connected with land, labour, natural resources and capital can generate a profit. The entrepreneurial vision is defined by discovery and risk-taking and is an indispensable part of a nation's capacity to succeed in an ever-changing and more competitive global marketplace.

Meaning of Entrepreneur

The entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits. The best example of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention.

It can be classified into small or home business to multinational companies. In economics, the profits that an entrepreneur makes is with a combination of land, natural resources, labour and capital.

In a nutshell, anyone who has the will and determination to start a new company and deals with all the risks that go with it can become an Entrepreneur.

Small Business Entrepreneurship-

These businesses are a hairdresser, grocery store, travel agent, consultant, carpenter, plumber, electrician, etc. These people run or own their own business and hire family members or local employee. For them, the profit would be able to feed their family and not making 100 million business or taking over an industry. They fund their business by taking small business loans or loans from friends and family.

Scalable Startup Entrepreneurship-

This start-up entrepreneur starts a business knowing that their vision can change the world. They attract investors who think and encourage people who think out of the box. The research focuses on a scalable business and experimental models, so, they hire the best and the brightest employees. They require more venture capital to fuel and back their project or business.

Large Company Entrepreneurship-

These huge companies have defined life-cycle. Most of these companies grow and sustain by offering new and innovative products that revolve around their main products. The change in technology, customer preferences, new competition, etc., build pressure for large companies to create an innovative product and sell it to the new set of customers in the new market. To cope with the rapid technological changes, the existing organisations either buy innovation enterprises or attempt to construct the product internally.

Social Entrepreneurship-

This type of entrepreneurship focuses on producing product and services that resolve social needs and problems. Their only motto and goal is to work for society and not make any profits.

Characteristics of Entrepreneurship

Not all entrepreneurs are successful; there are definite characteristics that make entrepreneurship successful. A few of them are mentioned below:

Ability to take a risk- Starting any new venture involves a considerable amount of failure risk. Therefore, an entrepreneur needs to be courageous and able to evaluate and take risks, which is an essential part of being an entrepreneur.

Innovation- It should be highly innovative to generate new ideas, start a company and earn profits out of it. Change can be the launching of a new product that is new to the market or a process that does the same thing but in a more efficient and economical way.

Visionary and Leadership quality- To be successful, the entrepreneur should have a clear vision of his new venture. However, to turn the idea into reality, a lot of resources and employees are required. Here, leadership quality is paramount because leaders impart and guide their employees towards the right path of success.

Open-Minded- In a business, every circumstance can be an opportunity and used for the benefit of a company. For example, Paytm recognised the gravity of demonetization and acknowledged the need for online transactions would be more, so it utilised the situation and expanded massively during this time.

Flexible- An entrepreneur should be flexible and open to change according to the situation. To be on the top, a businessperson should be equipped to embrace change in a product and service, as and when needed.

Know your Product-A company owner should know the product offerings and also be aware of the latest trend in the market. It is essential to know if the available product or service meets the demands of the current market, or whether it is time to tweak it a little. Being able to be accountable and then alter as needed is a vital part of entrepreneurship.

Importance of Entrepreneurship

Creation of Employment- Entrepreneurship generates employment. It provides an entry-level job, required for gaining experience and training for unskilled workers.

Innovation- It is the hub of innovation that provides new product ventures, market, technology and quality of goods, etc., and increase the standard of living of people.

Impact on Society and Community Development- A society becomes greater if the employment base is large and diversified. It brings about changes in society and promotes facilities like higher expenditure on education, better sanitation, fewer slums, a higher level of homeownership. Therefore, entrepreneurship assists the organisation towards a more stable and high quality of community life.

Increase Standard of Living- Entrepreneurship helps to improve the standard of living of a person by increasing the income. The standard of living means, increase in the consumption of various goods and services by a household for a particular period.

Supports research and development- New products and services need to be researched and tested before launching in the market. Therefore, an entrepreneur also dispenses finance for research and development with research institutions and universities. This promotes research, general construction, and development in the economy.

Functions of entrepreneur-

Functions of a successful entrepreneur are;

Taking Initiative

Organizing Resources

Identifying Opportunities and Prospects

Risk-Taking

Decision Making

Technology Transfer and Adaptation

Innovation

Fostering Autonomy

Social Responsibility

Public Relations

Experience Sharing

Managerial Roles

Balanced Economic Development

Theories of entrepreneurship

Different Theories of Entrepreneurship

Following are the different theories of entrepreneurship:

1. Innovation Theory

Joseph A. Schumpeter is the propounder of innovation theory. The assumptions are:

The entrepreneur is born with the desire to establish his own industry, also He desires to do something new.

2. Theory of Need of Achievement

The need for achievement theory was propounded by **McClelland**. His assumption is that the Desire of high achievements obtaining specific achievements, making the best performance, touching the heights of excellence, developed Entrepreneurial tendencies in the individuals.

But, for that, the entrepreneur should have adequate capacity of imaginations, thinking and developing new combinations.

3. Theory of Recover the Withdrawal of Status

This theory was propounded by **Everet Hegen**. His assumption is that creativity of any suffering minority group in the society is the main source of entrepreneurship.

In this regard, he is of the opinion that if any community has to lose its reputation, due to some reasons, that group becomes quite active and strong to regain it.

4. Behaviour Theory

This theory was propounded by **John Kunkel**. He assumes that the entrepreneurial development of any society depends upon its past and exiting economic social aspirations.

He feels that following four types of compositions are essential for entrepreneurial development: The behavior of the individuals may be made entrepreneurial by influencing the major factors of demand composition.

5. Entrepreneurial Group Theory

This theory was propounded by **Frank W. Young**. The theory is based on the assumption that expansion of entrepreneurial activities is possible only by entrepreneurial groups.

Because they have specialties is in the groups, and capacity to react.

However, this reactiveness is possible, when three conditions prevail simultaneously in society.

6. Social Change Theory

This theory of entrepreneurship development has been propounded by **Max Weber**.

For the first time, he stated that the emergence and development of the entrepreneurs depend upon ethical values system of society.

He is of the view that religion in which a person survives and the religious values and faiths which he accepts, substantially affect his business life, occupation, Entrepreneurial enthusiasm, and energy.

8. Cultural Value Theory

Cultural value theory has developed by **Kroken**. He emphasized cultural values, expected rules, and social approvals have specific importance in entrepreneur development.

9. Socio-Cultural Value Theory

This theory of entrepreneurship development was propounded by **Stokes**.

He is of the view that during the period of economic transition, socio-cultural values play a very important role.

The physiological factors encourage economic development by stimulating entrepreneurship.

According to him, 'Mental thinking' do create the directions of entrepreneurial development, but group generated value Matrix has significant contribution in attracting the entrepreneurship.

10. Economic Theory

This theory has been propounded by **Pepuek and Hassis**.

Their assumption is that physiological motivation for economic gains or increase in real income exists in every society.

11. Entrepreneurial Disposition Theory

Entrepreneurial disposition theory of entrepreneurship development has been propounded by **T.V.S. Rao**.

According to **Rao**, Entrepreneurial disposition includes factors like dynamic motivation, long-term devotion, individual, social and physical sources and political system.

These factors influence the Entrepreneurial development and also promote industrial activities.

12. Process of Stage Theory

Within accepted theory, process or stage theory has been developed by **Venkat Rao**.

His assumption is that entrepreneurship development a process of five following stages:

- (1). Simulation
- (2). Identification of Entrepreneurial Abilities and Capacities in the Society
- (3). Development and Expansion of Entrepreneurs
- (4). Promotion

UNIT-II

Small scale industries and their significance-

Role and Importance of Small Scale Industries Small scale industries are important because it helps in increasing employment and economic development of India. It improves the growth of the country by increasing urban and rural growth. Role of Small and medium scale enterprises are to help the government in increasing infrastructures and manufacturing industries, reducing issues like pollution, slums, poverty, and many development acts. Small scale manufacturing industries and cottage industries play a very important role in the economic development of India. If any amount of capital is invested in small scale industries it will help in reducing unemployment in India and increasing self-employment. The industry is a sector in which the production of goods is a segment of the economy. Let us learn more about the importance of Small scale industries and how SSI helps in developing the country.

Small Scale Industries Definition

Previously, the definition of small scale industries depended upon the business's capital and labour. This definition is still used to demarcate between small, medium and large-scale industries.

The Central Government has the authority to determine capital investment requirements for small-scale industries. These requirements are listed under the Industries (Development and Regulation) Act, 1951.

A small enterprise in which investment in plant & machinery ranges between Rs. 25 lakhs to Rs. 5 crores is a small-scale industry.

Similarly, for industries that provide services, the investment requirement is between Rs. 10 lakhs and Rs. 2 crores.

Increases production

Increases total exports

Improves the employment rate

Opens new opportunities

Advances welfare

Every small-scale industry plays a big role in the Indian economy. Apart from providing employment to crores of people, it has the added benefit of minimum capital requirements. The government also offers several tax benefits to SSI for this purpose.

Furthermore, they can exist in urban as well as rural areas. Small Scale Industries have been able to compete with large-scale industries and multinational corporations because of this. Due to reasons like these, they are of great importance.

Learn more about Characteristics Examples of Small Scale Industries here.

The following are some specific roles that SSIs play in the Indian economy:

1. SSI Increases Production

India is one of the world's fastest growing economies in the world. Consequently, its production output is massive. It is pertinent to note that SSIs contribute almost 40% of India's gross industrial value.

These industries produce goods and services worth over Rs. 40 lakhs for every investment of Rs. 10 lakhs. Furthermore, the value addition in this output increases by over 10%. Here is another interesting statistic about Small scale industries. The number of Small Scale Industries in India increased from around 8 lakhs in 1980 to over 30 lakhs in 2000.

This figure has grown even more in recent years owing to the government's 'Ease of Doing Business' policies.

As a result of this, the total industrial production output rose tremendously in the last few years. SSIs are, therefore, strongly responsible for the growth of India's economy.

2. SSI Increases Export

Apart from producing more goods and services, SSIs have been able to export them in large numbers as well.

Almost half of India's total exports these days come from small-scale businesses.

35% of the total exports account for direct exports by SSIs, while indirect exports amount to 15%.

Even trading houses and merchants help SSIs export their goods and services to foreign countries.

3. SSI Improves Employment Rate

It is important to note firstly that Small Scale Industries employs more people than all industries after agriculture.

Almost four persons can get full employment if Rs. 10 lakhs are invested in fixed assets of small-scale sectors.

Furthermore, SSIs employ people in urban as well as rural areas.

Consequently, this distributes employment patterns in all parts of the country and prevents unemployment crisis.

4. SSI Open New Opportunities

Small-scale industries offer several advantages and opportunities for investments.

For example, they receive many tax benefits and rebates from the government. The opportunity to earn profits from SSIs is big due to many reasons.

Firstly, SSIs are less capital intensive. They even receive financial support and funding easily.

Secondly, procuring manpower and raw materials is also relatively easier for them. Even the government's export policies favour them heavily.

5. SSI Advances Welfare

Apart from providing profitable opportunities, Small Scale Industries play a large role in advancing welfare measures in the Indian economy as well.

A large number of poor and marginalized sections of the population depend on them for their sustenance.

These industries not only reduce poverty and income inequality but they also raise standards of living of poor people. Furthermore, they enable people to make a living with dignity.

Problems of small scale industries-

The following are the problems faced by Small Scale Industries:

1. Poor capacity utilization

In many of the Small Scale Industries, the capacity utilization is not even 50% of the installed capacity. Nearly half of the machinery remains idle. Capital is unnecessarily locked up and idle machinery also occupies space and needs to be serviced resulting in increased costs.

2. Incompetent management

Many Small Scale Industries are run in an incompetent manner by poorly qualified entrepreneurs without much skill or experience. Very little thought has gone into matters such as demand, production level and techniques, financial availability, plant location, future prospects etc. According to one official study, the major reason for SSI sickness is deficiency in project Management i.e., inexperience of promoters in the basic processes of production, cash flow etc

3. Inadequate Finance

Many Small Scale Industries face the problem of scarcity of funds. They are not able to access the domestic capital market to raise resources. They are also not able to tap foreign markets by issuing ADR's (American Depository Receipts) GDR's (Global Depository Receipts) etc because of their small capital base. Banks and financial institutions require various procedures and formalities to be completed. Even after a long delay, the funds allocated are inadequate.

Bank credit to the small scale sector as a percentage of total credit has been declining. It fell from 16% in 1999 to 12.5% in 2002. Small Scale Industries are not able to get funds immediately for their needs. They have to depend on private money lenders who charge high interest. Finance, as a whole, both long and short term, accounts for as large as 43% of the sector's sickness.

4. Raw material shortages

Raw materials are not available at the required quantity and quality. Since demand for raw materials is more than the supply, the prices of raw materials are quite high which pushes up the cost. Scarcity of raw materials results in idle capacity, low production, inability to meet demand and loss of customers.

5. Lack of marketing support

Small Scale Industries lack market knowledge with regard to competitors, consumer preferences, market trends. Since their production volume is small and cannot meet demand for large quantities their market is very restricted. Now with the process of liberalization and globalization they are facing competition from local industries as well as foreign competitors

who sell better quality products at lower prices. For e.g. heavily subsidized but better quality imports from China has made most of the Indian SSI units producing toys, electronic goods, machine tools, chemicals, locks and paper etc., unviable.

6. Problem of working capital

Many Small Scale Industries face the problem of inadequate working capital. Due to lack of market knowledge their production exceeds demand, and capital gets locked in unsold stock. They do not have enough funds to meet operational expenses and run the business.

7. Problems in Export

They lack knowledge about the export procedures, demand patterns, product preferences, international currency rates and foreign buyer behavior. Small Scale Industries are not able to penetrate foreign markets because of their poor quality and lack of cost competitiveness. In countries like Taiwan, Japan etc. products produced by Small Scale Industries are exported to many foreign countries. But in India not much thought and focus has gone into improving the export competitiveness of Small Scale Industries.

8. Lack of technology up-gradation

Many Small Scale Industries still use primitive, outdated technology leading to poor quality and low productivity. They do not have adequate funds, skills or resources to engage in research and development to develop new technologies. Acquiring technology from other firms is costly. Therefore Small Scale Industries are left with no choice but to continue with their old techniques.

9. Multiplicity of labor laws

One of the merits of Small Scale Industries are that they are labor intensive and can provide employment to a large number of people. But the multiplicity of labor laws, need to maintain several records (PF, ESI, Muster Rolls etc), fines and penalties for minor violations etc place Small Scale Industries at a great disadvantage.

10. Inability to meet environmental standards

The government lays down strict environmental standards and Courts have ordered closure of polluting industries. Small Scale Industries which are already facing shortage of funds to carry out their business are not able to spend huge sums on erecting chimneys, setting up effluent treatment plants etc.

11. Delayed payments

Small Scale Industries buy raw materials on cash but due to the intense competition have to sell their products on credit. Buying on cash and selling on credit itself places a great strain on finances. The greater problem is payments are delayed, sometimes even by 6 months to one year. It is not only the private sector but even government departments are equally guilty. Delayed payments severely impact the survival of many Small Scale Industries.

12. Poor industrial relations

Many Small Scale Industries are not able to match the pay and benefits offered by large enterprises, because their revenues and profitability are low and also uncertain. This leads to labor problems. Employees fight for higher wages and benefits which the SSI is not able to provide. This may lead to strikes, resulting in damage to property in case of violence by employees, production losses etc.

13. Strain on government finances

Marketing of products manufactured by Small Scale Industries is a problem area. The government has to provide high subsidies to promote sales of products produced by Khadi and Village Industries. This places a great strain on government finances.

14. Concentration of industrial units

There is high concentration of small scale industrial units in a few states. Of the estimated 3.37 million units as on 2000-01, nearly 60% were located in six states. West Bengal, Madhya Pradesh and Uttar Pradesh alone account for 20% of Small Scale Industries. Due to concentration, there is high competition among them to procure raw materials and other

industrial inputs. This leads to high costs and scarcity of raw materials and other inputs affecting their production and increasing costs.

15. Inadequate dispersal

One of the objectives of the government in promoting Small Scale Industries was to increase industrial development and employment opportunities throughout the country. Since nearly 60% of the Small Scale Industries are concentrated in few states, the objective of balanced regional development and promotion of backward areas has not been achieved. Further majority of Small Scale Industries are located in urban areas and the aim of industrial development in rural areas has also been defeated.

16. Widespread sickness

Sickness among Small Scale Industries is widespread. Sickness is not detected in the initial stages and large amount of funds are locked in them. Nearly two and a half lakh SSI units are sick and as on 2001 and nearly Rs. five thousand five hundred crores of bank funds are locked in them. Due to this new entrepreneurs are not able to get loans, workers in the sick units lose their jobs and industrial and economic development is affected. In Maharashtra alone nearly 3 lakh units have closed down, 38 lakh workers have lost their jobs and the loss to the government is Rs.5,000 crore.

17. Lack of awareness

The government has set up many organizations to support and provide assistance to Small Scale Industries. But, many of the entrepreneurs running Small Scale Industries are not aware of the various support services.

18. Government interference

Small Scale Industries have to maintain a number of records and there are endless government inspections. A lot of time, money and effort is wasted in complying with various inspections and records verification. This prevents Small Scale Industries from fully concentrating on their business activities.

Small scale industries in Tamilnadu-

Industrial policy on small scale industries-

Industrial policy is a document that sets the tone in implementing, promoting the regulatory roles of the government. It was an effort to expand the industrialization and uplift the economy to its deserved heights. It signified the involvement of the Indian government in the development of the industrial sector.

The industrial growth of a country is guided and regulated through its industrial policies. Let's understand the journey of various industrial policies

I. Industrial Policy of 1948

The first industrial policy after independence was announced on 6th April 1948. It was presented by Dr. Shyama Prasad Mukherjee then Industry Minister. The main goal of this policy was to accelerate the industrial development by introducing a mixed economy where the private and public sector was accepted as important in the development of the economy. It saw the Indian economy in socialistic patterns. The large industries were classified into four categories:

Industries with exclusive State Monopoly/Strategic industries: It included industries engaged in the activity of atomic energy, railways and arms, and ammunition.

Industries with Government control: This category included industries of national importance. 18 such categories were mentioned in this category such as fertilizers, heavy machinery, defense equipment, heavy chemicals, etc.

Industries with Mixed sector: This category included industries that were allowed to operate independently in the private or public sector. The government was allowed to review the situation to acquire any existing private undertaking.

Industry in the Private sector: Industries which were not mentioned in the above categories fall into this category. High importance was granted to small businesses and small industries, leading to the utilization of local resources and creating employment.

II. Industrial Policy Resolution, 1956

This second industrial policy was announced on April 20, 1956, which replaced the policy of 1948. The features of this policy were:

A new classification of Industries.

Non-discriminatory and fair treatment for the private sector.

Promotion of village and small-scale industries.

To achieve development by removing regional disparity.

Labour welfare.

The IRDA divided industries into three categories:

Schedule A industries: The industries that were under the monopoly of the state or government. It included 7 industries. The private sector was also introduced in these industries if national interest required.

Schedule B industries: In this category of industries, the state was allowed to establish new units but the private sector was not denied to set up or expand existing units e.g. chemical industries, fertilizer, synthetic, rubber, aluminum, etc.

Schedule C industries: So the industries that were not a part of the above-mentioned industries then it formed a part of Schedule C industries.

To summarize, the policy of 1956 in which the state was given a primary role for industrial development as capital was scarce and business was not strong.

Introduction, Meaning & Importance of Business Environment

III. Indian Policy Statement, 1973

Indian Policy Statement of 1973 identified high priority industries with investment from large industrial houses and foreign companies were permitted. Large industries were permitted to start operations in rural and backward areas with a view to developing those areas and enabling the growth of small industries around. And so the basic features of Indian Policy Statement were: The policy was directed towards removing the distortions, it provided for closer interaction between agriculture and industrial sector.

Priority was given towards generation and transmission of power.

The list of industries reserved for the small-scale sector was expanded.

Special legislation was made to protect cottage and household industries were introduced.

III. Indian Policy Statement 1977

Indian Policy Statement was announced by George Fernandes then the union industry minister of the parliament. The highlights of this policy are:

A] Target on the development of small-scale and cottage industries.

Household and cottage industries for self-employment.

Tiny sector investment up to 1 lakhs.

Smallscale industries for investment up to 1-15 lakhs.

B] Large-scale sector

Basic industries: infrastructure and development of small-scale and village industries.

Capital goods industries: meeting the requirement of cottage industries.

High technological industries: development of agriculture and smallscale industries such as petrochemicals, fertilizers and pesticides.

C] Restrict the control of big business houses.

D] Role of the public sector:

Development of ancillary industries.

To make available expertise in technology and management in small and cottage industries.

E] Revival and rehabilitation of sick units.

V. Industrial Policy, 1980

The Congress government announced this policy on July 23rd, 1980. The features of this policy are:

Promotion of balanced growth.

Extension and simplification of automatic expansion.

Taking over industrial sick units.

Regulation and control of unauthorized excess production capabilities installed for industrial houses.

Redefining the role of small-scale units.

Improving the performance of the public sector.

VI. New Industrial Policy, 1991

The features of NIP, 1991 are as follows:

Public sector de-reservation and privatization of the public sector through disinvestment.

Industrial licensing.

Amendments to Monopolies and Restrictive Trade Practices (MRTP) Act, 1969.

Liberalized Foreign Investment Policy.

Foreign Technology Agreements (FTA).

Dilution of protection to SSI and emphasis on competitiveness enhancement.

The all-around changes introduced in the industrial policy framework have given a new direction to the future industrialization of the country. There are encouraging trends on diverse fronts. Industrial growth was 1.7 percent in 1991-92 that has increased to 9.2 percent in 2007-08. The industrial structure is much more balanced. The impact of industrial reforms is reflected in multiple increases in investment envisaged, both domestic and foreign.

Women entrepreneurship concept- growth-

Concept:

Women entrepreneur may be defined as a woman or group of women who initiate, organize, and run a business enterprise. In terms of Schumpeterian concept of innovative entrepreneurs, women who innovate, imitate or adopt a business activity are called “women entrepreneurs”.

Kamal Singh who is a woman entrepreneur from Rajasthan, has defined woman entrepreneur as “a confident, innovative and creative woman capable of achieving self-economic independence individually or in collaboration, generates employment opportunities for others through initiating, establishing and running the enterprise by keeping pace with her personal, family and social life.”

The Government of India has defined women entrepreneurs based on women participation in equity and employment of a business enterprise. Accordingly, the Government of India (GOI2006) has defined women entrepreneur as “an enterprise owned and controlled by a

women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women.” However, this definition is subject to criticism mainly on the condition of employing more than 50 per cent women workers in the enterprises owned and run by the women.

In nutshell, women entrepreneurs are those women who think of a business enterprise, initiate it, organize and combine the factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running a business enterprise.

Functions of Women Entrepreneurs:

As an entrepreneur, a woman entrepreneur has also to perform all the functions involved in establishing an enterprise. These include idea generation and screening, determination of objectives, project preparation, product analysis, and determination of forms of business organization, completion of promotional formalities, raising funds, procuring men, machine and materials, and operation of business.

Frederick Harbison (1956) has enumerated the following five functions of a woman entrepreneur:

1. Exploration of the prospects of starting a new business enterprise.
2. Undertaking of risks and the handling of economic uncertainties involved in business.
3. Introduction of innovations or imitation of innovations.
4. Coordination, administration and control.
5. Supervision and leadership.

The fact remains that, like the definition of the term ‘entrepreneur’, different scholars have identified different sets of functions performed by an entrepreneur whether man or women.

All these entrepreneurial functions can be classified broadly into three categories:

- (i) Risk-bearing
- (ii) Organisation
- (iii) Innovations

Women entrepreneurship Problems-

1. Family restriction

Women are expected to spend more time with their family members. They do not encourage women to travel extensively for exploiting business opportunities.

2. Lack of Finance

Family members do not encourage women entrepreneurs. They hesitate to invest money in the business venture initiated by women entrepreneurs. Bank and other Financial Institutions do not consider Middle Class Women Entrepreneurs as proper applicants for setting up their projects and they are hesitant to provide financial assistance to unmarried women or girls as they are unsure as to who will repay the loan — Either their parents or in-laws after their marriage. This humiliates unmarried women and they generally leave the idea of setting up their ventures. For example, Kiran Mazumdar Shaw initially faced many problems regarding funds for her business. Banks were hesitant to give loan to her as biotechnology was a totally new field at that point of time and she was a woman entrepreneur, which was a rare phenomenon.

3. Lack of Education

Women are generally denied of higher education, especially in rural areas and under developed countries. Women are not allowed to enrich their knowledge in technical and research areas to introduce new products.

4. Role Conflict

Marriage and family life are given more importance than career and social life in Indian society.

5. Unfavorable Environment

The society is dominated by males. Many business men are not interested to have business relationship with women entrepreneurs. Male generally do not encourage women entrepreneurs.

6. Lack of persistent Nature

Women generally have sympathy for others. They are very emotional. This nature should not allow them to get easily cheated in business.

7. Lack of Mental strength

Business involves risk. Women entrepreneurs get upset very easily when loss arises in business.

8. Lack of Information

Women entrepreneurs are not generally aware of the subsidies and incentives available for them. Lack of knowledge may prevent them from availing the special schemes.

9. Stiff Competition

Women face lot of competition from men. Due to limited mobility they find difficult to compete with men.

10. Mobility

Moving in and around the market, is again a tough job for Middle Class Women Entrepreneurs in Indian Social system.

Remedial Measures

Some of the remedial measures that can be undertaken to promote women entrepreneurship in India, are as follows.

1. Promotional Help

Government and NGOs must provide assistance to entrepreneurs, both in financial and non financial areas.

2. Training

Women entrepreneurs must be given training to operate and run a business successfully. Training has to be given to women who are still reluctant to take up the entrepreneurial task.

3. Selection of Machinery and Technology

Women require assistance in selection of machinery and technology. Assistance must be provided to them in technical areas so that the business unit become successful.

4. Finance

Finance is one of the major problems faced by women entrepreneurs. Both family and government organizations should be liberal in providing financial assistance to them.

5. Marketing Assistance

Due to limited mobility, women are unable to market their goods. Assistance must be provided to help them to market their goods successfully in the economic environment.

6. Family support

Family should support women entrepreneurs and encourage them to establish and run business successfully.

Prospects and development scheme: SHGs and micro finance.

A SHG (self-help group) is a community based group with 10-20 members. They are usually women from similar social and economic backgrounds, all voluntarily coming together to save small sums of money, on a regular basis. They pool their resources to become financially stable, taking loans from their collective savings in times of emergency or financial scarcity, important life events or to purchase assets^[1]. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. In India, RBI regulations mandates that banks offer financial services, including collateral free loans to these groups on very low interest rates. This allows poor women to circumvent the challenges of exclusion from institutional financial services. This system is closely related to that of solidarity lending, widely used by microfinance institutions.

Beyond their function as a savings and credit group, SHG's offer poor women a platform for building solidarity. They allow women to come together and act on issues related to their own lives including health, nutrition, governance and gender justice.^[3]

Goals

Self-help groups are started by -governmental organizations (GO) that generally have broad anti-poverty agendas. Self-help groups are seen as instruments for goals including empowering women, developing leadership abilities among poor and the needy people, increasing school enrolments and improving nutrition and the use of birth control. Financial intermediation is generally seen more as an entry point to these other goals, rather than as a primary objective.^[4] This can hinder their development as sources of village capital, as well as their efforts to aggregate locally controlled pools of capital through federation, as was historically accomplished by credit unions.

NABARD's 'SHG Bank Linkage' program

Many self-help groups, especially in India, under NABARD's 'SHG Bank Linkage' program, borrow from banks once they have accumulated a base of their own capital. This model has attracted attention as a possible way of delivering micro-finance services to poor populations that have been difficult to reach directly through banks or other institutions. "By aggregating their individual savings into a single deposit, self-help groups minimize the bank's transaction costs and generate an attractive volume of deposits. Through self-help groups, the bank can serve small rural depositors while paying them a market rate of interest."^[5]

According to a report from 2006, NABARD estimates that there are 2.2 million SHGs in India, representing 33 million members, that have taken loans from banks under its linkage program to date. This does not include SHGs that have not borrowed.^[6] A study conducted by S Chakrabarti in 2004 said that organization like SHG can be an effective tool for "allevating poverty". "The SHG Banking Linkage Programme since its beginning has been predominant in certain states, showing spatial preferences especially for the southern region – Andhra-Pradesh, Tamil Nadu, Kerala, and Karnataka. These states accounted for 57% of the SHG credits linked during the financial year 2005–2006."^[7]

Advantages of financing through SHGs

An economically poor individual gains strength as part of a group.

Besides, financing through SHGs transaction costs for both lenders and borrowers.

While lenders have to handle only a triple SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG minimize or travel (to and from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans.

Where successful, SHGs have significantly empowered poor people, especially women, in rural areas.

SHGs have helped immensely in reducing the influence of informal lenders in rural areas.

Many big corporate houses are also promoting SHGs at many places in India.

SHGs help borrowers overcome the problem of lack of collateral. Women can discuss their problem and find solutions for it.

UNIT-III

Promotional agencies-

NSIC

The National Small Industries Corporation Ltd. (NSIC), an ISO 9000 certified company, since its establishment in 1955, has been working to fulfill its mission of promoting, aiding and fostering the growth of small-scale industries and industry related small-scale services/businesses in the country.

Over a period of six decades of transition, growth and development, the NSIC has proved its strength within the country and abroad by promoting modernization, up gradation of technology, quality consciousness, strengthening linkages with large and medium enterprises and enhancing export projects and products from small-scale enterprises.

At present, the NSIC operates through 6 Zonal Offices, 26 Branch Offices, 15 Sub-offices, 5 Technical Services Centres, 3 Extension Centres and 2 Software Technology Parks supported by a team of over 5000 professionals spread across the country. To manage operations in Gulf and African countries, the NSIC operates from its offices in Dubai and Johannesburg.

Functions of NSIC:

NSIC provides a wide range of services, predominantly promotional in character, to small-scale industries.

Its main functions are to:

- a. Provide machinery on hire-purchase scheme to small-scale industries.
- b. Provide equipment leasing facility.
- c. Help in export marketing of the products of small-scale industries.
- d. Participate in bulk purchase programme of the Government.
- e. Develop prototype of machines and equipments to pass on to small-scale industries for commercial production.
- f. Distribute basic raw material among small-scale industries through raw material depots.
- g. Help in development and up-gradation of technology and implementation of modernization programmes of small-scale industries.
- h. Impart training in various industrial trades.
- i. Set up small-scale industries in other developing countries on turn-key basis.

j. Undertake the construction of industrial estates.

NSIC carries forward its mission to assist small enterprises with a set of specially tailored schemes designed to put them in competitive and advantageous position. The schemes comprise of facilitating marketing support, credit support, technology support, and other support services.

These are discussed in seriatim as follows:

Marketing Support:

Marketing, a Strategic tool for business development, is critical to the growth and survival of small enterprise in today's intensely competitive market. NSIC acts as a facilitator to promote small industries products and has devised a number of schemes to support small enterprises in their marketing efforts, both in and outside the country.

The units registered under this scheme get the following facilities:

- a. Issue of tender sets free of cost.
- b. Advance intimation of tenders issued by DGS&D.
- c. Exemption from payment of earnest money.
- d. Waiver of security deposit up to the monetary limit for which the unit registered.
- e. Issue of competency certificate in case the value of an order exceeds the monetary limit, after due verification.

Exhibitions and Technology Fairs:

To showcase the competencies of Indian SSIs and to capture market opportunities, NSIC participates in select International and National Exhibitions and Trade Fairs every year. NSIC facilitates the participation of the small enterprises by providing concessions in rental, etc. Participation in these events exposes SSI units to international practices and enhances their business skills.

Buyer-Seller Meets:

Bulk and departmental buyers such as the Railways, Defence, Communication departments and large companies are invited to participate in buyer-seller meets to enrich SSI units' knowledge regarding terms and conditions, quality standards, etc. required by the buyer.

Export of Products and Projects:

NSIC is a recognized export house and exporting products and projects of small industries of India to other countries.

The salient features of the scheme are:

- a. Financial assistance for procurement of raw materials up to 90 days.
- b. Bulk purchase of basic raw materials at competitive rates.
- c. NSIC facilitates import of scarce raw materials.
- d. NSIC takes care of all the procedures, documentation & issue of letter of credit in case of imports.

Financing of Marketing Activities:

NSIC facilitates financing of marketing activities such as Internal Marketing, Exports and Bill Discounting, Finance through syndication with banks. In order to ensure smooth credit flow to small enterprises, NSIC is entering into strategic alliances with commercial banks to facilitate long-term/working capital financing of the small enterprises across the country. The arrangement envisages forwarding of loan applications of the interested small enterprises by NSIC to the banks and sharing the processing fee.

Performance and Credit Rating Scheme for Small Industries:

By providing performance and credit rating scheme, NSIC enables small enterprises to ascertain the strengths and weaknesses of their existing operations and take corrective measures to enhance their organizational strength.

TIIC

The **Tamil Nadu Industrial Investment Corporation Limited** (TIIC) Limited is an institution owned by the government of Tamil Nadu and is intended as a catalyst for the development of small, medium and large scale industries in Tamil Nadu. It was established in 1949.

History

The Tamil Nadu Industrial Investment Corporation Limited (TIIC), a government company incorporated under the Companies Act 1913 and continues to be a government

company under The Companies Act, 1956. The authorised share capital of the company is ₹300 crores and the paid up capital of the company is ₹283.4956 crores

Functions

TIIC as a State Level Financial Institution, offers long and medium term financial assistance to various industries including service sector in the following forms:

Term Loans

Term Loan and Working Capital Term Loans under the Single Window Scheme.

Special types of assistance like Bill Financing Scheme, etc.

SIDCO

In Tamilnadu, India, Small Industries Development Corporation (SIDCO) was set up in 1971.

Need for Small Industries Development Corporation (SIDCO)

In many state governments, for the promotion of small scale industries, a separate corporation has been set up which is known as Small Industries Development Corporation. They undertake all kinds of activities for the promotion of small scale industries. Right from the stage of installation, to the stage of commencing production, these Corporations help small scale industries (SSI) in many ways.

In short, they provide infrastructure facilities to small scale industries. Due to the assistance provided by SIDCO, many backward areas in most of the states have been developed. So, SIDCO has also been responsible in spreading the industrial activity throughout several states.

Objectives of SIDCO

The following are the **main objectives of SIDCO**

The main objective of SIDCO is to stimulate the growth of industries in the small scale sector

To provide infrastructure facilities like roads, drainage, electricity, water supply, etc is one of the primary objective of SIDCO.

To Promote industrial estates which will provide industrial sheds of different sizes with all basic infrastructure facilities.

To Provide technical assistance through training facilities to the entrepreneurs.

To Promote skilled labor through the setting up of industrial training institutes.

Small Industries Development Corporation, Tamilnadu:

In Tamilnadu, India, Small Industries Development Corporation (SIDCO) was set up in 1971. The prime function of SIDCO was to identify potential growth centres in various parts of Tamilnadu. There is a network of 76 industrial estates in the State which are maintained by SIDCO. 32 of these were formed by the government initially and subsequently handed over to SIDCO. The remaining 44 estates were set up by SIDCO itself. It has set up these estates in rural and most backward areas to ensure balanced industrial development.

Functions of SIDCO

SIDCO supplies scarce raw materials:

Some of the scarce raw materials are procured by the corporation either from the domestic market or from abroad and are provided to the needy small scale industries. For this purpose, SIDCO has a number of raw material depots and these depots are procuring various scarce raw materials, as per the requirements of small scale industries in the state.

SIDCO provides marketing assistance:

In order to provide an efficient marketing support to small scale industries, the corporation has taken up various schemes. In fact, the corporation participates in the tenders floated by the state government departments and also with the DGS & D (Director General of Supplies and Disposal). SIDCO makes advance payments for obtaining orders and distribute them among the various small scale units. SIDCO also arranges for buyer — seller meets frequently.

SIDCO assists in Bills discounting:

When small scale units supply goods to government departments, there is a delay in receiving payments. In such a situation, the bills drawn on government departments will be discounted by SIDCO and upto 80% of the bill value is given to the supplier. This helps the SSI units in solving their working capital crisis.

SIDCO provides Export marketing assistance:

To promote export marketing among the small scale industries, SIDCO has developed websites because of which it is able to display the products of the small scale industries in foreign markets and obtain export orders. Once an export order is obtained, the Common export manager of SIDCO will make arrangements for extending various services for export of the product. SIDCO also helps in the small scale units taking part in the international trade fair at New Delhi, Pragati Maidan so that the products of small scale industries of Tamilnadu are displayed.

SIDCO set up Captive power plants:

In order to provide uninterrupted and good quality power supply, SIDCO has taken up a plan to set up captive power plants in major industrial estates. It is now planning to set up these plants in 10 industrial estates.

SIDCO promotes skill development centres:

In an effort to supply skilled laborers to various small scale industries, skill development centres are being set up in various industrial estates which will be training workers in varied industrial activities and they will be trained in modern skill.

SIDCO promotes women entrepreneurs:

In addition to the above, in order to promote women entrepreneurs, a separate industrial estate for women has been set up at Tirumullaivoyal, near Chennai, where women entrepreneurs are trained in various fields of small scale industries.

In addition to SIDCO, there are various corporations that assists in the promotion of small scale industries such as, Small Industries Promotion Corporation of Tamilnadu (SIPCOT),

Tamilnadu Small Industries Corporation (TANSI), Industrial and Technical Consultancy Organisation of Tamilnadu (ITCOT) and Tamilnadu Industries Investment Corporation (TIIC).

SIPCOT

State Industries Promotion Corporation of Tamilnadu Ltd (SIPCOT) was established in the year 1971 to develop industrial growth in Tamilnadu.

To give main thrust to area development activities, the organization involves in the formation of industrial complexes by providing basic and comprehensive infrastructure facilities for the industries to set up their units. SIPCOT has so far developed 21 Industrial Complexes in 12 districts and 7 Sector Specific Special Economic Zones (SEZs) across Tamil Nadu. SIPCOT also acts as a Nodal Agency of Government of Tamil Nadu in the sanction / disbursement of Structured Package of Assistance to large industrial units.

History

The State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) was formed in the year 1971, to promote industrial growth in the State and to advance term loans to medium and large industries

Functions

The Functions of State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) are:

Development of industrial complexes/parks/industrial estate in Nallamballi Road growth centres with basic infrastructure facilities

Establishing sector-specific Special Economic Zones (SEZs);

Implementation of Special infrastructure Projects;

District industrial centers-

Established in 1978, District Industries Centers' program was initiated by central government to promote tiny, cottage, village and Small Scale Industries (SSIs) in smaller towns and their particular areas to make them available with all the basic needs, services and facilities. DIC's primary focus is to generate employment in rural regions of India. District Industries Centers are managed and operated at district level to provide all the necessary support services to entrepreneurs or first time business owners to start their own Micro Small and Medium

Enterprises (MSMEs). DICs also promote Registration and Development of Industrial Cooperatives.

DICs perform various functions:

Arrangements for credit facilities, machinery & equipment

- Development and expansion of industrial clusters
- Identification of suitable schemes
- Recognizing and financially supporting new entrepreneurs
- Preparation of feasibility reports
- Providing financial support to small units
- Providing raw materials

The functioning of DICs and their achievement is monitored by the Additional Chief Secretary (Industries) and Director Of Industries & Commerce. Approximately, there are 14 District Industries Centers (DICs), one each in the 14 districts of the state.

Government of India provides financial assistance for District Industries Centre by following ways:

Activities of District Industries Centers

- DICs allots sheds in Electrical & Electronic Industrial Estates
- Provides clearance of licenses etc. through Single Window Meeting
- Conducts Motivational Campaigns
- Helps in the distribution of Project profiles among entrepreneurs
- Grants subsidies to Small Scale Industries (SSIs) units
- Implements Prime Minister's Rozgar Yojana (PMRY)
- Provides marketing and raw material assistance via Small Industries Development Corporation (SIDCO)
- Organizes Industrial Cooperative Societies
- Recommends Awards to SSI units and loan applications to banks under KVIC Scheme
- Helps in Registration of Handicrafts/Cottage industries & SSI units (Permanent/Provisional)
- Provides rehabilitation of sick SSI units
- Undertakes training programs for Entrepreneur Development

Additional Functions of District Industries Centers

1. Loan Arrangement

DICs arrange loans with financial institutions like banks, NBFCs, MFIs, etc. to provide funding assistance to entrepreneurs. They also monitor the flow of industrial credit, district-wise.

2. Undertakes Training Courses

DICs conduct training courses for the entrepreneurs of small and tiny units. Training courses helps entrepreneurs to develop new products with better quality and performance.

3. Machinery and Equipment

DICs designate the locations from where the machinery and equipment can be acquired. They also arrange for machinery supply on hire purchase basis.

4. Conducts Surveys

DICs conduct surveys of existing industries, traditional industries, raw materials and human resources. These industries also provide forecasting of numerous products related to specific industry.

5. Promoting rural artisans

DICs have helped in the promotion of rural artisans by working closely with Small Scale Industries. They have also worked for the development of khadi and village industries and organized training programs for rural artisans.

Prior to the existence of DICs, business owners and entrepreneurs have to personally visit respective agencies to get appropriate financial assistance and facilities. Nowadays suitable services and facilities are delegated by the State Government to DICs to meet the requirements of entrepreneurs.

Industrial estates-

What is an Industrial Estate?

An industrial estate is a place where necessary infrastructural facilities are made available to entrepreneurs. Industrial parks, industrial zone, industrial area, industrial township are some of the other terms used to denote industrial estates.

Features of Industrial Estates

The following are the salient features of industrial estates:

1. **Separate plots and sheds:** The entire land area allocated to the estate is divided into different plots and sheds. These plots and sheds are then allocated to the entrepreneurs at economical costs.

2. **Cluster:** An industrial estate is a planned cluster of units. For e.g. Tirupur is a planned cluster of knitwear and hosiery, Ludhiana is a planned cluster for machine tools, Surat for diamonds etc.

3. **Regional development:** Industrial estates promote regional development. They have been instrumental in developing backward areas in the country. They provide employment opportunities to many of the unemployed youth in the regions in which they are located. For e.g.

Ambattur Industrial Estate in sub-urban Chennai has ensured development of areas in and around Ambattur.

4. **Common infrastructure:** Infrastructure such as roads, electricity, water, telecommunications, postal facilities, banks etc. are provided in the industrial estate. All enterprises located in the industrial estate can access the infrastructural facilities located in the area.

5. **Promote industrialization:** Industrial estates promote industrialization and economic development. They provide the necessary facilities for setting up of industries. Since the required infrastructure is made available, entrepreneurs feel encouraged to set up industrial enterprises.

6. **Different sizes:** Industrial estates can be promoted in different sizes based on the land availability, requirements and potential for development.

7. **Developed in all areas:** Industrial estates can be developed in all areas such as urban, suburban and rural areas. They can be developed in developed as well as in under developed areas.

8. **Promotion through any agency:** Industrial estates can be set up by the government, co-operatives or by the private agencies. It can also be set up by public-private partnership.

Objectives of Industrial Estates

The following are the objectives of setting up industrial estates:

1. Ensuring well planned and structured industrial development.
2. To provide the necessary infrastructure.
3. To provide common facilities to a number of industries.
4. To promote development of clusters.
5. To enable small units to source products from one another.
6. To enable dispersal of industries.
7. To promote balanced regional development.

8. To ensure development of backward areas.
9. To provide a climate for smooth functioning of industrial enterprises.

Types of industrial estates

The following are the types of industrial estates:

1. **Composite industrial estates:** They comprise of a wide variety of industries. Most of the industrial estates are of this type. For e.g. in Ambattur Industrial Estate and Guindy Industrial Estate, Chennai, enterprises manufacturing different types of products are located.

2. **Special purpose:** They comprise of enterprises engaged in a specific industry such as hosiery and knitwear (Tiruppur), machine tools (Ludhiana), handicrafts, etc.,

3. **Ancillary industrial estates:** Ancillary industrial estates comprise of firms which manufacture ancillary products. They are found in industries such as automobiles, electronics, leather goods etc.

4. **Flatted industrial estates:** They comprise multi-storeyed building where light weight goods are produced with the help of machine tools.

Industrial service institute.

The small industries service institutes (SISI's) are set-up one in each state to provide consultancy and training to small and prospective entrepreneurs. The activities of SISs are co-ordinate by the industrial management training division of the DC, SSI office (New Delhi). In all there are 28 SISI's and 30 Branch SISI's set up in state capitals and other places all over the country. SISI has wide spectrum of technological, management and administrative tasks to perform.

Functions of SISI

1. To assist existing and prospective entrepreneurs through technical and managerial counseling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc;

2. Conducting EDPs all over the country;
3. To advise the Central and State governments on policy matters relating to small industry development;
4. To assist in testing of raw materials and products of SSIs, their inspection and quality control;
5. To provide market information to the SISI's;
6. To recommend SSI's for financial assistance from financial institutions;
7. To enlist entrepreneurs for partition in Government stores purchase programme;
8. Conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries.

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