

DJN3F - ENTREPRENEURIAL DEVELOPMENT

Unit 1 - Entrepreneurship

Definition of Entrepreneur and Entrepreneurship – Characteristics of entrepreneurship – Functions of entrepreneurs – Qualities of a true entrepreneur – Different types of entrepreneurs – Kao's Conceptual model of Entrepreneurship – Growth of entrepreneurship in India – Women entrepreneurs – Problems and Prospects

Unit II - Entrepreneurial Motivation and Systems

The motivating factors – David McClelland's Achievement Motivation Theory – Search for business ideas – Sources of ideas – idea processing and selection of ideas

Unit III - Project Identification and Classification

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Unit V - Institutions for Entrepreneurial Development

District Industries Centre (DIC) – State Small Industries Corporation (SSIC) – Small Industries Development Corporation (SIDCO) - Industrial and Technical Consultancy Organization of Tamilnadu (ITCOT) – National Alliance of Young Entrepreneurship (NAYE) – Commercial Banks – New Entrepreneurial Development Agency (NEDA) – Directorate of Industries – Indian Investment Centre.

Books for Reference:

1. Entrepreneurial Development - C.B. Gupta and N.P. Srinivasan
2. Entrepreneurial Development - Saravanavel
3. Entrepreneurial Development - S.S. Khanka
4. Entrepreneurial Development - Vasant Sathe

UNIT – I

ENTREPRENEURSHIP

INTRODUCTION :

The 'entrepreneur' is very much related to the term 'Entrepreneurship'. Both these terms are often used interchangeably. But they are conceptually different. Hence, before dealing at length about entrepreneurship, it is better to have an exposure to the term entrepreneur.

ENTREPRENEUR :

Generally speaking, entrepreneur refers to a person who establishes his own business or industrial undertaking with a view to making profit. "An entrepreneur is considered to be an originator of a business venture. He takes the role of an organiser in the process of production.

The word 'Entrepreneur' is derived from the French word 'Enterprendre' meaning to undertake. Richard Cantillon, an Irish man living in France, was the first economist who introduced the term 'entrepreneur' referring to the risk taking function of establishing a new venture.

DEFINITION OF ENTREPRENEUR :

Richard Cantillon says, "All persons engaged in economic activity are entrepreneurs."

J.A. Schumpeter is of the view that, "A person who introduces innovative changes is an entrepreneur and he is an integral part of economic growth."

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

DEFINITION OF ENTREPRENEURSHIP:

A.H. Cole has defined entrepreneurship as "The purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain, or earn profit by production and distribution of economic goods and services".

According to **Heggins**, "Entrepreneurship is meant the function of seeking investment and production opportunity, organising an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials and selecting top managers of day-to-day operations".

CHARACTERISTICS OF AN ENTREPRENEUR

There are certain characteristic features which make an entrepreneur successful in his venture. They have been briefly discussed hereunder:

1. **Hard Work** : A successful entrepreneur is one who is willing to work hard from the very beginning of his enterprise. An entrepreneur with his tenacity and hard work and pervasive perseverance can revive his business even from on the verge of collapse.
2. **Business Acumen and Sincerity** : Business Acumen stands for shrewdness and ability. Again, the success of an enterprise depends upon the sincerity of the people behind the enterprise. If a person is sincere about his venture, he will move heaven and earth to make it a success.
3. **Prudence** : A successful entrepreneur must be prudent in all his dealings. He should have the ability to work out the details of the venture from all angles, assess the favourable factors and pitfalls and take suitable measures to overcome the pitfalls.
4. **Achievement Motivation** : The achievement motivation is the most important characteristic of an entrepreneur since all other characteristics emanate from this motivation. He must have a strong desire to achieve high goals in business.
5. **Self-reliance and independence** : A successful entrepreneur wants to follow his own policies and procedures and he does not like to be guided by others. He is found to be self, reliant by acting as his own master and making him responsible for all his decisions. He doesn't like to work for others.
6. **Highly Optimistic** : Successful entrepreneur is always optimistic about his future and he is never disturbed by the present problems. He always expects a favourable situation for his business.
7. **Keen Foresight** : An entrepreneur must have keen foresight to predict the future business environment.
8. **Planning and Organising Ability** : An entrepreneur is a firm believer in planning and systematic work. Above all, he must have the ability to bring together all scattered resources required for starting up a new venture.
9. **Risk Taking** : An entrepreneur is not a gambler and hence he should not assume high risk. However, he must love a moderate risk situation, high enough to be exciting, but with a fairly reasonable chance to win.
10. **Secrecy Maintenance** : A successful entrepreneur must be capable of maintaining and guarding all his business secrets. Leakage of business secrets to trade competitors will definitely lead to the downfall of his business. Hence, he should be very careful in selecting his subordinates.
11. **Maintenance of Public Relations** : The extent of maintenance of public relations or human relations has a vital role to play on the success or failure of an entrepreneur. A successful entrepreneur must have cordial relations with his customers to gain their continued patronage and support. He must also maintain good relations with his employees with a view to motivating them to higher levels of efficiency.

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

FUNCTIONS OF ENTREPRENEUR

An entrepreneur performs all the functions right from the conceiving of an idea up to the establishment of an enterprise. He is an opportunity seeker. He organises and co-ordinates the factors of production. His main functions are discussed below:

1. Generating Business Idea

Generating of idea is the first and foremost function of an entrepreneur. Essentially there are only two ways in which business ideas can be created namely,

- (i) generating own idea,
- (ii) developing someone else's idea.

The second is far more common because virtually every successful business is a development of an earlier business concept. These include areas such as management buy-outs/ buy-ins, corporate spin-offs, franchising and buying an existing business.

In terms of generating business ideas, there are three sources of opportunities such as adverts, agents, and opportunity spotting, or watching out for business that one find match his objectives.

2. Determining Business Objectives

The next function of entrepreneur is determining business objectives. He should lay down his objectives clearly. He should clearly state the nature of business and the type of business. In other words, he has to specify clearly whether the business, which he decides to start, belongs to manufacturing activities or trading or service oriented organisation. It will enable him to carry on the activities without any hesitation.

3. Product Analysis

The next important function of an entrepreneur is product analysis and market research. He should conduct market research in order that the data regarding the product, which he likes to manufacture, can be systematically collected. It should be carried on persistently because it gives him the information regarding the demand for the product, supply of the product, price of the product, size of the customers etc.

4. Deciding the Form of Enterprise

Another important function of an entrepreneur is deciding the form of an enterprise. It should be decided by taking into account the factors such as nature of the product, volume of investment, nature of activities, type of product, quality of product, quality of human resources etc. The various forms of organisation that are prevalent are sole trading concerns, partnership firms, co-operative society and joint stock companies. Before establishing an organisation, the form of ownership is to be decided. Because, based on the form of ownership only, the other legal formalities can be carried on to establish the organisation.

5. Promoting the Enterprise

Once the form of ownership is decided, the next step is undergoing the necessary legal formalities as required under the relevant statute if any to establish an organisation. In case of sole trading concerns and partnership firms, there are not many legal formalities when compared to joint stock companies and co-operative societies. He has to read the relevant statute and fulfil the necessary legal formalities in establishing the enterprise.

6. Raising Necessary Funds

Finance is the life-blood of any business because all the activities of a business depend upon it. Hence raising of finance is considered as the most important function of an entrepreneur. He needs funds for purchasing assets, carrying out day-to-day activities, meeting establishing expenses etc. He raises funds internally as well as externally. He should know well about the pros and cons of different sources of funds so that he can choose the cheapest way. He should also have the full knowledge about various government-sponsored schemes, which enables him to get assistance in the form of seed capital, working capital etc.

7. Procurement of Machine and Material

The next function is procuring machines and raw materials. Machines and equipments are purchased and installed in the initial stage itself. While purchasing them he should consider the aspects like details as to the technology adopted, installed capacity of the machines, details of manufactures and suppliers, country in which the machines are manufactured i.e., whether they made domestically or in a foreign country, availability of after-sales service facilities and warranty period given etc. This will enable entrepreneurs to buy quality machines at cheaper rates.

8. Recruiting Men

Recruiting of suitable personnel for the various activities of the enterprise is another important function of an entrepreneur. First of all, entrepreneur has to estimate the manpower need of the enterprise. Then he has to lay down the selection procedure. He should devise suitable method of compensation. Arrangements should be made for giving training to personnel to the jobs for which they have been recruited.

9. Undertaking the Activities

This is the stage of implementing the project. It should be done in a time-bound manner. He should perform it as per schedule. This will enable him to avoid cost and time over run and also competition.

All the above said functions can be broadly categorized into three namely,

1. Risk-bearing.
2. Organisation.
3. Innovation.

As these functions have already been dealt with in the earlier part of the Chapter, they are not discussed again here to avoid the repetition.

Common Entrepreneurial Traits or Qualities of Good Entrepreneur

The entire entrepreneurial history of the world reveals that a human being to qualify as a successful and ideal entrepreneur in any field of social endeavour should possess the following entrepreneurial attributes and abilities to discharge the entrepreneurial functions in the most effective manner. Thus, a true entrepreneur is the whose personality is gifted with the following entrepreneurial endowments.

1. Mental ability:

Mental ability consists of intelligence and creative thinking. An entrepreneur must be reasonably intelligent, and should have creative thinking and must be able to engage in the analysis of various problems and situations in order to deal with them.

2. Clear objectives:

An entrepreneur should have a clear objective as to the exact nature of the business, the nature of the goods to be produced and subsidiary activities to be undertaken. A successful entrepreneur may have the objective to establish the product, to make profit or to render social service.

3. Business secrecy:

An entrepreneur must be able to guard business secrets. Leakage of business secrets to trade competitors is a serious matter which should be carefully guarded against by an entrepreneur. An entrepreneur should be able to make a proper selection of his assistants.

4. Human relations ability:

The most important personality factors contributing to the success of an entrepreneur are emotional stability, personnel relations, consideration and tactfulness.

5. Communication ability:

Communication ability is the ability to communicate effectively. Good communication also means that both the sender and receiver understand each other and are being understood. An entrepreneur who can effectively communicate with customers, employees, suppliers, and creditors will be more likely to succeed than the entrepreneur who does not.

6. Technical knowledge:

An entrepreneur must have a reasonable level of technical knowledge. Technical knowledge is the one ability that most people are able to acquire if they try hard enough.

7. Motivator:

An entrepreneur must build a team, keep it motivated and provide an environment for individual growth and career development

8. Self-confidence:

Entrepreneur must have belief in themselves and the ability to achieve their goals.

9. Long-term involvement:

An entrepreneur must be committed to the project with a time horizon of five to seven years. No ninety-day wonders are allowed.

10. Persistent problem solver :

An entrepreneur must have an intense desire to complete a task or solve a problem. Creativity is an essential ingredient.

11. Initiative:

An entrepreneur must have initiative, accepting personal responsibility for actions, and above all make good use of resources.

12. Goal setter:

An entrepreneur must be able to set challenging but realistic goals.

13. Moderate risk-taker:

An entrepreneur must be a moderate risk-taker and learn from any failures.

14. Deep knowledge of social, political and economic world:

An entrepreneur should have a wide knowledge about the changing global environments.

15. Judgemental perseverance and foresightedness:

An ideal entrepreneur should be perseverant in nature and have the ability to predict the forth comings.

16. Ability to infuse dynamism in the organization:

To cope with this dynamic world, a successful entrepreneur should infuse dynamism in his organisation.

17. Sharp acumen of reacting to changing environment:

To be a successful entrepreneur, he should be able to react quickly to the changing environment.

18. Strong cultural base, widespread sociological and healthy family background :

Last but not the least, he should possess some sort of cultural base, which extends his sociological outlook.

Thus, an entrepreneurial personality is well equipped with excellent skills of numerous character such as human skills, social skills, entrepreneurial skills, legal skills, professional skills, political skills, fund mobilizing skills and environmental skills etc. But it is the external law of nature that such entrepreneurs of skills, experience, dexterity, expertise and flair are very scarce in numbers.

Essential Qualities of an Entrepreneur:

The essential qualities of an entrepreneur refer about the presence of the entrepreneurial skills and attributes. The essential qualities which contribute to the success of entrepreneurs are as follows.

1. Sound entrepreneurial education and training.
2. Entrepreneurial skills, attitude and temperament.
3. Achievement motivation and success-oriented endeavours.
4. Sound entrepreneurial mental health.
5. Entrepreneurial secrecy, liaisons, communication, dynasty and leadership.
6. Innovative spirit and risk-bearing capacity.
7. Strong dream and will to build his own kingdom.
8. Impulses to fight for the sake of success.
9. Desire to enjoy the fruits of entrepreneurial genius.
10. Living organs to sense the changing environment.

Different Types Of Entrepreneurs :

According to **Clarence Danhof** an entrepreneur may be classified as follows :

- i. Innovative Entrepreneur
- ii. Adoptive or Imitative Entrepreneur
- iii. Fabian Entrepreneur
- iv. Drone Entrepreneur

i. Innovative entrepreneur :

This type of entrepreneur is highly motivated and talented and “innovation” is his key function. According to Peter F. Drucker an innovating entrepreneur is one “who always searches for change, responds to it and exploits it as an opportunity.” He creates new values or increases the value of what already exists. An innovative entrepreneur may exhibit his talents of innovation in any one of the following forms :

- ❖ Introduction of a new product.
- ❖ Introduction of a new quality of an existing product.
- ❖ Introduction of a new method of production.

- ❖ Opening of a new market.
- ❖ Discovery of a new source of supply of raw materials or semi-finished goods.
- ❖ Reorganisation of the enterprise so as to achieve monopoly or to break up the monopoly position.

ii. Adoptive or Imitative Entrepreneur :

An imitative entrepreneur does not innovative anything by himself, but he only imitates techniques and technologies innovated by others. He follows the innovators after carefully observing how the latter fare and to what extent their innovation has caught the imagination of the society.

This type of entrepreneur has a vital role to play in developing countries. Innovative entrepreneurs are scarce in developing countries. Hence, developing countries need imitators who are responsible for the development of their countries with the limited resources available in these countries.

iii. Fabian Entrepreneur :

Normally, he has neither the will to introduce any new changes nor the desire to adopt new methods. He is ready to imitate only when it becomes perfectly clear that failure to do so would definitely result in heavy loss for him. He is dominated more by customs, religions, traditions and past practices and he is not ready to take any risk at all.

iv. Drone Entrepreneur :

Drone Entrepreneur is one who blindly follows the traditional methods of production even when it causes loss to him. He continues to carry out his business in the traditional way even when he suffers losses. For example, the coir industry in Kerala is dominated by drone entrepreneurs.

Cole's Classification:

Arthur H.Cole classifies entrepreneurs as follows:

- 1. Empirical Entrepreneur:** An empirical entrepreneur is one who never introduces anything revolutionary in his method of production.
- 2. Rational Entrepreneur:** A rational entrepreneur is one who is ready to introduce even revolutionary changes on the basis of the general economic conditions prevailing in that area.
- 3. Cognitive Entrepreneur:** A cognitive entrepreneur is one who takes the advices and services of experts and introduces changes. Since he acts on the advice of experts, he is called a cognitive entrepreneur.

John Kao's Conceptual Model of Entrepreneurship

Kao's has developed a conceptual model of entrepreneurship

1. The person

2. The task
3. The environment
4. The organisation

The model is presented in fig. 1.1

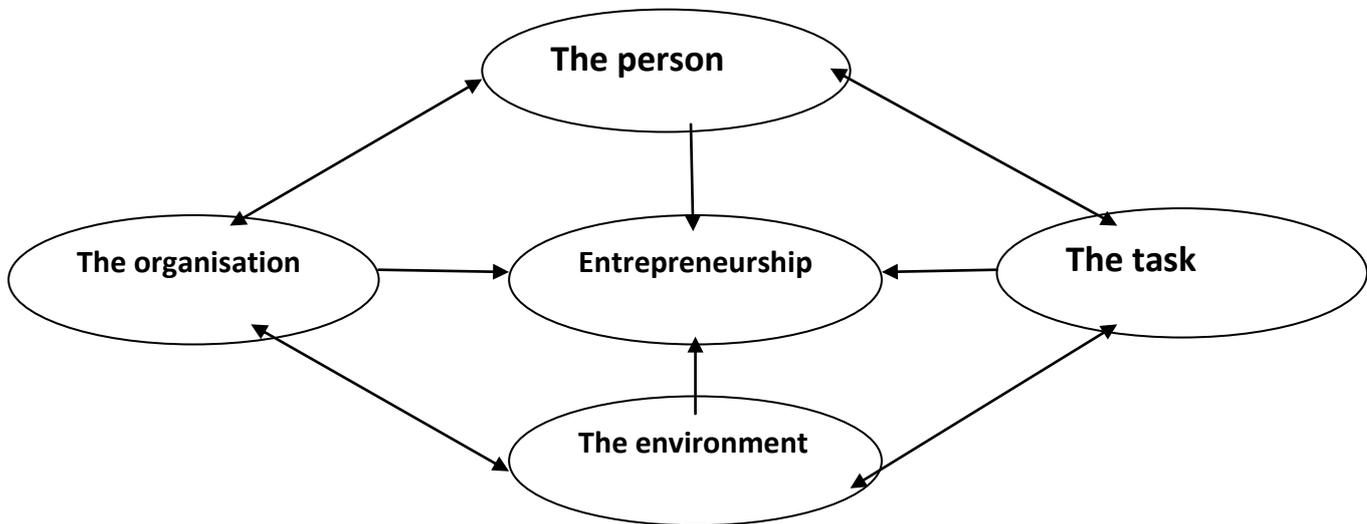


Fig. 1.1. A conceptual model of entrepreneurship.

There are several obstacles in defining entrepreneurship clearly.

1. First, everyone has a personal opinion or understanding of entrepreneurship.
2. Secondly, entrepreneurs are viewed as the new cultural heroes and are held in awe due to which critical examination of their characteristics is obscured.
3. Thirdly, entrepreneurship is an abstraction, through entrepreneurs are tangible persons.
4. Fourthly, well designed and controlled research studies on entrepreneurship are very few.
5. Lastly, when it is assumed that entrepreneurship is something opposed to or divorced from management defining entrepreneurship become difficulties.

ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT OR GROWTH OF ENTREPRENEURSHIP IN INDIA

INTRODUCTION:

Entrepreneurs play a significant role in the economic development of a nation. They are the most important input for the economic development of a nation. Economic development is impossible without the existence and development of entrepreneur in a society. A country may possess immense natural resources and a vast population. But these resources cannot be effectively utilized without the touch of the entrepreneur. Hence,

entrepreneurs are considered as most essential for the growth of any economy. They play many roles in the development of a nation's wealth and welfare. A brief discussion on the roles played by entrepreneurs is made here under.

ROLE OF ENTREPRENEURS

Entrepreneurs play their role in different capacities such as innovators, generators of employment opportunities, and developers of economy. A brief discussion on these roles of entrepreneurs is made in the forthcoming pages.

A. Role of Entrepreneurs as Innovators in Economic Development

One of the most important themes in the definition of entrepreneurship is innovation. Entrepreneurship involves changing, revolutionizing, transforming and introducing new approaches. Entrepreneurs as innovators perform an important role in the economic development of a nation. **Schumpeter** considered the entrepreneurs as the key figure in the economic development of a nation because of their role in introducing innovations. **Parson** and **Smelser** described entrepreneurship as one of the two necessary conditions for economic development, the other one being the increased output of capital. **Harbison** includes entrepreneurs as one of the prime movers of innovation. **Saysingh** simply describes entrepreneurship as a necessary dynamic force. It is also believed that development does not occur spontaneously as a natural consequence. A catalyst or agent is needed, which requires an entrepreneurial ability. It is the ability that he perceives opportunities, which either others do not see or care about. Essentially, the entrepreneur searches for change, sees need and then brings together the manpower, material and capital required to respond the opportunity what he sees. Innovation helps in coping with the international order and the dynamism of society. Being innovator, entrepreneurs perform a variety of functions to provide for the acceleration of economic growth, which are as follows:

1. Introduces New Combinations in the Means of Production :

As an innovator, entrepreneur brings out new products, new techniques of production, opens up a new market, finds out new sources of raw materials, a novel use for existing products, a new type of organisation etc. All these result in growth and development of a country's economy through increased supply of products, savings in production cost etc.

2. Enables Progress in Technology :

Entrepreneurs make use of potential technical knowledge, which enables continuous technological progress. It removes diminishing returns because technological progress leads to innovation, and consequently results in steady increase in total output and per capita output.

3. Aims at Leadership :

As **Peter F. Drucker** says, "a successful innovation aims at leadership" because leadership is a most logical attribute of entrepreneur to bring about economic development.

4. Implement Skills :

Entrepreneur makes use of his conceptual skills to bring about improvement in the quality of the product. It is a continuous function of an entrepreneur. There is no end to it. In this world of competition, an innovative entrepreneur alone can survive. Lack of innovative spirit may, in due course kill an enterprise.

B. Role of Entrepreneur in Generating Employment opportunities :

Entrepreneurs play an important role in generating employment opportunity, which is vital to the overall long-term economic health of nations. They initiate, stimulate, promote and maintain economic activities as to production and distribution of goods. Hence they are considered as an integral part of socio-economic transformation. Entrepreneurs perform a significant role in establishing tiny, micro, and small scale industrial enterprises. It helps in generating a lot of employment opportunities, which is the need of the hour for a country like ours. It leads to creation of both self-employment and job opportunities, and consequently helps in minimising unemployment problem in the country.

C. Role of Entrepreneur in increasing Economic Growth :

The important role that entrepreneurs play in the economic development of a country can be described as shown here below:

1. Capital Formation :

Capital formation is the most crucial element for economic growth. It is always necessary to increase the rate of capital formation so that the economy accumulates a large stock of machines, tools, equipments, which can be geared into production by the entrepreneur. Entrepreneurship promotes capital formation by mobilizing the idle saving of the public.

2. Generates Employment :

Entrepreneurs establish small scale industrial units and thereby they generate employment opportunities. It helps in the reduction of unemployment problem, which is the root of all socio-economic problems.

3. Promotes Balanced Regional Development :

Entrepreneurs play a crucial role in bringing about social stability and balanced regional development. In each and every country, entrepreneur is considered as a valuable human resource.

Entrepreneur, as a catalyst of change, tries to bring about balanced regional development in the following ways:

- Establishing industries in rural and backward areas.

- Establishing agro-based industries so as to co-ordinate the dispersal process and develop agriculture.
- Utilising indigenous technology for creating of enterprise in backward areas.
- Developing handicraft and cottage industries sector to bring about balanced regional development.
- Establishing industries in rural and backward regions and availing concessional finance, investment subsidy, transport subsidy, etc., provided by the government.

4. Reduces Concentration of Economic Power

The responsibility of social stability lies on his shoulder. He brings about it through the following ways:

- Minimising poverty.
- Diffusing prosperity and checking expansion of monopolies.
- Equitable distribution of income.
- Creating employment opportunities.

5. Effective Use of Resources

Entrepreneurs are needed in a society so that natural resources and human resources can be exploited most effectively for the general welfare of mankind.

6. Induces Backward and Forward Linkages

Entrepreneur induce change in the economy by way of forward and backward linkages. Establishment of a large scale unit generates several ancillary industries as well as several other industries, which grow by utilising the raw materials and by-products produced by the mother plant. In this way, entrepreneurs supplement the economic growth.

7. Promotes Country's Export Trade

It also promotes country's export trade, which is an important ingredient to economic development. The role of entrepreneur is of fundamental importance as far as export promotion and import substitution are concerned.

Export Promotion:

It promotes exports and thereby it ensures the following

1. Minimum dependence on imports from abroad.
2. Exploring of new markets.
3. Foreign exchange earnings.
4. Minimising the burden of debt servicing.
5. Utilising the available resources.
6. Exporting handicraft items.
7. Meeting the balance of payments deficits.

Import Substitution:

Import substitution refers to the expansion of domestic production and replacement of the imports, mainly capital goods. This can be done by the entrepreneurs who can encourage the use of indigenous technology and reduction in dependence on technical know-how from abroad. The role of entrepreneur in import substitution can be viewed mainly from the following angles:

- a) Achieving self-reliance in production of as many goods as possible.
- b) Saving foreign exchange for import of goods.

Thus, it is clear that entrepreneurship serves as a catalyst of economic development. On the whole, the role of entrepreneurship in economic development of a country can best be put as “An economy is the effect for which entrepreneurship is the cause”

WOMEN ENTREPRENEURS

Women-owned businesses are playing a significant role in the surge of entrepreneurial activity in the United States. The Centres for Women’s Business Research states that the number of majority-owned and privately held women-owned business has increased from 5.4 million in 1997 to 6.2 million in 2002. These businesses employed almost 9.2 million people and generated over \$1.15 trillion in sales.

In the U.S.A fourth., women own one of business. In Canada it is one third and in France it is one fifth. In general, women are attracted to retail trade, restaurants, hotels, education, insurance and manufacturing. They perform exceedingly well in laundries, dry cleaning, hairdressing and private nurseries. It is reported that highest number of self-employed women are in Sweden followed by England, France and the U.S.A.

According to the information available, women constitute only 5.2% of the total self-employed persons in India. Majority of them have opted for agriculture, agro based industries, handicrafts, handlooms, and cottage based industries (1981 census). But in 1988-89, it has improved. It is 9.01% of the self-employed persons. It is a healthy sign that woman participation in entrepreneurship is increasing. But the pace of increase can be improved through proper education, training and motivation.

CONCEPT OF WOMEN ENTREPRENEURS

Women entrepreneurs may be defined as the woman or group of women who take initiative to set up a business enterprise and to run it smoothly.

According to **Schumpeter’s** concept, “Women who innovate, imitate or adopt a business activity are known as women entrepreneurs”.

Government of India, based on women participation in equity and employment of a business enterprise has defined women entrepreneurs as “An enterprise owned and controlled

by a women having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women”.

However the definition of Government of India has been criticised by many on the condition of employment of at least 51% women workers.

To conclude, we can define “Women entrepreneurs are those who generate business idea, set up an organization, combine the factors of production, operate the unit, undertake risks and handle problems involved in operating a business enterprise”.

FUNCTIONS OF WOMEN ENTREPRENEURS

Being an entrepreneur, women also should perform all the functions, which an entrepreneur is expected to perform in establishing an enterprise. Functions of entrepreneurs generally involve idea generation and screening, determination of objectives, preparation of project, analyzing product, deciding the form of organization, promoting an enterprise, raising funds, recruiting men, arranging for machines, materials etc., and running the business.

Besides, whether men or women, an entrepreneur is expected to perform the functions brought under the following three categories, which we discussed in the first chapter itself.

- Risk-bearing.
- Organisation.
- Innovations.

Frederick Harbison in his article has enumerated the following as the functions of a women entrepreneur:

- Exploring the prospects of starting new enterprises.
- Undertaking of risks and the handling of uncertainties.
- Introduction of new innovations.
- Imitation of successful ones in existence.
- Coordination, administration and control of business activities.
- Supervising and leading in all aspects of the business.

PROBLEMS/CHALLENGES FACED BY WOMEN ENTREPRENEURS

Being a successful entrepreneur is so difficult because it is not easy to research, plan, organize, launch, and manage an entrepreneurial venture successfully. Besides, due to race/gender, entrepreneurs face some additional challenges. Especially, minority and women entrepreneurs face all sorts of challenges.

PROBLEMS OF WOMEN ENTREPRENEURS

1. Problem of Finance

The main challenge, which women entrepreneurs face, is getting the funding they need to start and grow their business. Access to capital is a serious issue for minority and women entrepreneurs. A study by the Federal Reserve System of Small-business Financing Patterns found that minority small-business owners have an extremely hard time in getting credit.

Studies have shown that they have lower levels of available credit than do their male counterparts. So, the capital problem is definitely real and very serious. Access to capital to start and grow their entrepreneurial ventures is an extremely difficult barrier for women entrepreneurs.

2. Conflict between Work and Family

Another challenge that women entrepreneurs, particularly, face is the conflict between work and family. Although this issue can, and does, arise for male entrepreneurs also, it is especially acute for women because many child-rearing and family responsibilities fall on them. Being an entrepreneur can be a 24 x 7 (24 hours a day, 7 days a week) commitment. Running a successful business often means finding a healthy balance between work and family lives.

3. Shortage of Raw Material

Scarcity of raw materials is yet another challenge that women entrepreneurs face. They suffer from higher prices and lower discount rates.

4. Stiff Competition

Women entrepreneurs face intense competition for their goods from organized sector and male entrepreneurs. This is because they do not have enough funds to spend on advertisement, canvassing and publishing their products.

5. Limited Mobility

In our country, mobility of women is highly limited on account of various reasons. They cannot travel freely from one place to another for business reasons. An entrepreneur has to get sanctions at varied levels from various government departments all of which require free mobility.

6. Low Literacy Rate among Women

Rate of literacy among women is very low in India. Education is important for a person to be aware of latest technology, business trends, market knowledge etc. This creates additional problem for women entrepreneurs in setting up and running business enterprises.

7. Male-Dominated Society:

Male-domination is still the order of the day in our country. Equality between sexes is only on paper, speeches, constitution etc. In practice, still women are considered weak in all aspects. Men in the society dominate the business world and men in the families do not permit female members to start their ventures.

8. Lack of Motivation

Fear to failure is too much in women than men. This fear creates no motivation in them. Hence, lack of motivation among women entrepreneurs is considered as another barrier, which stands in the development of women entrepreneurs.

9. Low Achievement Need

Need for achievement is the most important pre-requisite for success in entrepreneurship. In India, urge to achieve is lacking. It acts as another barrier to succeed in their venture.

10. Low Risk-bearing Capability

Generally, women in India are confined to the four walls of the house. They are less educated and thus, economically backward. This reduces their risk-bearing capability while running their enterprise.

11. Discrimination in Upbringing

Right from early childhood, girls are taught not to be aggressive or independent. Initially they depend upon parents, later upon husbands, and in old age upon sons. They are discouraged to move out of the family and take up their business. Such type of conservative attitude of the family members makes the women weak and passive in their approach. Normally others take decisions for them.

Besides women entrepreneurs face the challenges of managing business growth successfully, finding and keeping qualified employees, and keeping up with technology and other market changes. These are the challenges that all entrepreneurs face. However, even with the additional challenges they face, women entrepreneurs are “**Making it**”.

SCHEMES FOR WOMEN ENTREPRENEURS:

Government, banks and financial institutions have introduced different schemes for the development of women entrepreneurs in India.

1. Development of Women and Children in Rural Areas(DWCRA)
2. Schemes of IDBI
 - a) Interest Subsidy
 - b) Refinance Facility
 - c) Mahila Udyam Nidhi (MUN)

- d) Mahila Vikas Nidhi (MVN)
- e) Indirect Loans
- 3. Scheme of Karnataka SFC.
- 4. Scheme of IFCI.
- 5. Rajasthan Financial Corporations Scheme.
- 6. SBI's Stree Shakti Package.
- 7. SIDBI's Assistance.
- 8. BOI Priyadarshini Yojana.

1. Development of Women and Children in Rural Areas(DWCRA)

DWCRA is a scheme introduced by Government of India for the encouragement of women entrepreneurship. Generally a woman is unable to start a venture (independently) due to various reasons. The concept of teamwork has been introduced to make them courageous enough to start their own enterprises. This idea has been incorporated into a scheme and the Government implemented the scheme known as “**The Development of Women and Children in Rural Areas (DWCRA)**”.

It is a sub-scheme of Integrated Rural Development Programme. Its objective is to provide them with opportunities of self-employment. A distinguishing feature of DWCRA is “**Group Activity**”. Women form groups of 10 to 15 to take up economic activities suited to their skills and aptitudes. One woman among the group has to function as “Organiser”, to manage, plan, and control the activities. The activity is selected by the group members and not by the governmental agency. The activity selected must be economically viable.

2. Schemes of IDBI

Various schemes that are designed by the IDBI to assist women entrepreneurs are detailed below:

a. Interest Subsidy Scheme:

Industrial Development Bank of India has formulated this scheme to encourage entrepreneurial development among women. IDBI provides training and post-training follow up expenditure upto Rs. 10,000. Successful trainees are eligible for interest subsidy up to Rs. 25,000 for one year if they start small scale unit. If the unit is medium scale, interest subsidy payable is Rs. 50,000.

b. Refinance Scheme

IDBI extends refinance facilities to banks and state financial corporations for their credits to women entrepreneurs. It is 100% in case of SFCs, and 75% in case of commercial banks.

c. Mahila Udyam Nidhi (MUN)

The IDBI has set up a special fund called Mahila Udyam Nidhi with a corpus of Rs.5 crores in order to provide seed capital assistance to women entrepreneurs who proposed to set up projects in SSI sectors. The scheme is implemented by SIDBI. Women entrepreneurs who can start and manage an enterprise with a minimum

financial status of 51 percent of the equity are eligible for assistance under this scheme.

However the project cost excluding working capital should be less than Rs. 10 lakhs. Here the following norms are followed by SIDBI:

1. Debt equity ratio should be 3:1.
2. Seed capital assistance is provided in the form of soft loan up to a maximum of 15 percent of the fixed cost.
3. Minimum promoter's contribution is 10 percent of the fixed cost.
4. Service charge of 1 percent per annum is charged.
5. Repayment period is 10 years including an initial moratorium period of 5 years.
6. Seed capital assistance is provided without insisting on security.

d. Mahila Vikas Nidhi(MVN)

Mahila Vikas Nidhi extends assistance to the voluntary agencies that are engaged in extending to the entrepreneurs training in production methods, management and skill upgradation.

e. Indirect Loans

IDBI has introduced another scheme under which it grants indirect loans. It is called indirect loans because loans are granted through state finance corporations and state industrial development corporations. The scheme is now transferred to Small Industries Development Bank of India.

3. Scheme of Karnataka SFC

With a view to encourage women entrepreneurs to start enterprises, the corporation grants loans up to Rs. 60 lakhs for private and public limited companies, and up to Rs. 30 lakhs to proprietorship and partnership concerns. Interest rates are 12% for backward areas, and 13% for all places of Karnataka other than Bangalore metropolitan area, and North and South Taluks of Bangalore. In case of prompt repayment of principal and interest there is a rebate of 1% is allowed on interest. Repayment is to be made within a period of 8 years.

Karnataka Government provides 5% investment subsidy to the tiny and small scale units. Sales tax exemption is available for the women enterprises, up to 100% of the value of fixed assets for a period of seven years. In the allotment of scarce raw materials, Government gives the women entrepreneurs priority. They enjoy priority in the allotment of lands and shed also.

4. Scheme of IFCI

Industrial Finance Corporation of India grants interest subsidy up to Rs. 20,000 to industrial units set up by women entrepreneurs.

5. Rajasthan Financial Corporation of India

In order to promote enterprises by women entrepreneurs, Rajasthan Financial Corporation grants loans up to Rs. 10 lakhs. Contribution towards share capital by the

entrepreneurs is 10% of the project cost. It allows seed capital assistance up to 15% of the project cost.

6. SBI Stree Shakti Package

The SBI introduced Stree Shakti Package in the year 1989 with a view to develop women entrepreneurs. Under this scheme, EDPs are exclusively designed for women entrepreneurs, and are conducted. They are organised with the help of SBI staff training college and the local branches. The branch managers and the field officers of the banks would provide necessary support and assistance to women who want to set up enterprise.

In this scheme, financial assistance to the extent of Rs. 25,000 can be provided to the women entrepreneurs without keeping collateral security or guarantee. Further, a discount of half percent is allowed on the interest charged.

7. SIDBI's Assistance for Women entrepreneurs

The Small Industries Development Bank of India (SIDBI) has designed special schemes for providing financial assistance to women entrepreneurs. These schemes aim at the following objectives:

1. Providing training and extension services according to their small socio-economic status.
2. Providing financial assistance at concessional terms to help them in setting up tiny and small units.

These schemes are basically operated through State Financial Corporations (SFCs), and State Industrial Development Corporations (SIDCs) etc.

8. Bank of India's Priyadarshini Yojana

The scheme aims at providing financial assistance to the women entrepreneurs who come under the following categories:

1. Small business, e.g. beauty parlour, laundry, lending library, etc.
2. Retail traders, e.g. fair price shops, general stores, etc.
3. Road transport operators, e.g. auto rickshaws.
4. Allied agricultural activities.

In this case, the maximum loan amount is up to Rs. 2 lakhs for term loans, and up to Rs.1 lakh for working capital. The assets acquired with bank finance will need to be hypothecated to the banks as security. Repayment period is normally for a span of three to five years. The margin money to be departed by the promoter is usually 20 percent depending upon the type of activity.

UNIT – II

ENTREPRENEURIAL MOTIVATION AND SYSTEMS MOTIVATIONAL FACTORS

(OR)

FACTORS RESPONSIBLE FOR THE EMERGENCE OF ENTREPRENEURSHIP

1. Background Factors:

- **Education, Training and Experience:**

The type of education, training and experience an individual has undertaken affects his choice of setting up an enterprise.

- **Family Role Models and Association with Similar Type of Individuals:**

If an individual has a supportive family, role models and Association with Similar Type of Individuals add to their desire of setting-up a new venture.

- **Financial Conditions:**

Both adverse and supportive financial conditions can motivate an individual to set up a new venture.

2. Motivational Factors:

- **Need for Achievement:**

Need for achievement means the drive to achieve a goal. They have desire to do something better or more efficiently than it has been done before.

- **Personal Motives/Expectations:**

There have been found to be one of the crucial factors responsible for entrepreneurship amongst individuals. They consider themselves responsible for their own growth and development.

- **Business Environment:**

Supportive business environment like low level of competition, high profit margins, good economic conditions in the region, high demand-all go towards motivating an individual to set up a new venture.

3. Economic Factors:

- **Supportive Government Policies:**

From time to time the government keeps formulating policies and programmes like tax holidays to promote entrepreneurs in different fields.

- **Availability of Financial Assistance from Various Funding Bodies:**

Financial assistance from various funding bodies are available to an entrepreneur will facilitate for setting up the business ventures.

- **Ancillary Support:**

Ancillary support from suppliers, distributors, retailers and even bigger units can act as a great encouragement to the budding entrepreneurs.

- **Availability of Technical Factors like Premises, Electricity, Labour:**

The ease with which factors of production are available to the entrepreneur will facilitate for setting up the business ventures.

4. Reward:

- **Recognition:**

Since the success of the enterprise is associated with the efforts and success of the entrepreneur, he gets enough recognition to fuel his self-esteem.

- **Social status:**

Entrepreneurship ensures huge profit margins which a salaried employee cannot even think of. Hence, if the business runs successfully it automatically raises the social status of the individual.

The candidate will be assisted in getting marketing tie-up with user-industries, wherever possible.

David McClelland's Achievement Motivation Theory

The Achievement Motivation Theory has developed by David McClelland's. According to this theory an individual's need for achievement refers to the need for personal accomplishment.

The people with high need for achievement are characterized by the following:

1. They like to take personal responsibility for solving problem.
2. People with high achievement motivate like to take calculated risks and want to win.
3. High achievers are not motivated by money but instead employ money as method of keeping sure of their achievements.
4. They want to do something better than it has been done before others.
5. They look for challenging tasks.
6. Need for achievement stimulates the behaviour of a person to be an entrepreneur.

Some societies produce a larger percentage at people with high need achievement. Entrepreneurship becomes the link between need achievement and economic growth. McClelland considers the need for achievement to be most critical to a nation's economic development. High need for achievement motivates an entrepreneur to take risks, work hard, find new things, reinvest the savings in industry and so on.

McClelland found that achievement motivation was lower among people of underdeveloped countries than of developed nations. It is the lower level of ambitions that

explains the lack of enterprise in underdeveloped countries. Ambitions is the lever of all motives and aimless life is a goal-less game.

Thus ambition nourishes the achievement motivation and brings economic growth. The biggest obstacle to economic progress in countries like India is perhaps the limited ambitions of people.

The following psychological factors contribute to entrepreneurial motivation

1. Keen interest in situations involving moderate risk.
2. Desire for taking personal responsibility.
3. Need for achievement through self-study and determined the goal-setting.
4. Anticipation of future possibilities.
5. Organisational skills.

With the help of above factor, the achievement motivation can be higher among the people of underdeveloped countries.

ESTABLISHING ENTREPRENEURIAL SYSTEMS

In order to establish an entrepreneurial system, an entrepreneur needs to take the following steps:

1. Search for business ideas
2. Process the ideas
3. Select the best idea
4. Assemble the necessary input resources
5. Establish the enterprise

Search for Business Idea:

The task of promotion begins with the search for a suitable business idea or opportunity. The idea may originate from various sources e.g., success story of a friend or relative, demand for certain products, chances of producing a substitute for an imported article, visits to trade fairs and exhibitions, study of project profiles and industrial potential surveys, meetings with government agencies, etc. The idea may relate to the starting of a new business or to takeover of an existing enterprise. The idea should be sound and workable.

Sources of Ideas:

A business idea may be discovered from the following sources:

1. Observing Markets:

Careful observation of markets can reveal a business idea. Market surveys can also reveal the demand and supply position for various products. It is necessary to estimate future demand and to take into account anticipated changes in fashions, income levels, technology, etc. Competition and price trends can also be found through market surveys.

2. Prospective Consumers:

Consumer know best what he wants and the habits/tastes which are going to be popular in the near future. Contacts with prospective consumers can also the reveal the features that should be built into a product. The customer is the foundation of a business and it is he who keeps it going. Therefore, data on consumer needs and preferences must be collected.

3. Developments in other nations:

People in underdeveloped countries generally follow the fashion trends of developed countries. Therefore, an entrepreneur can discover good business ideas by keeping with developments in advanced nations. Sometimes, entrepreneurs visit foreign countries in search of ideas for new products/processes.

4. Study of project profiles:

Various Government and private agencies publish periodic profiles of various projects and industries. These profiles describe in detail the technical, financial and market requirements and prevailing position. A careful scrutiny of such project profiles is very helpful in choosing the line of business.

5. Government organisations:

Several Government organisations nowadays assist entrepreneurs in discovering and evaluating business ideas. Development banks, state industrial development/investment corporations, technical consultancy organisations, investment centres, export promotion councils, etc., provide advice and assistance in technical, financial, marketing and other areas of business.

6. Trade Fairs and Exhibitions:

National and international trade fairs are a very good source of business ideas. A visit to these fairs provides information about new products/machines. Negotiations for the purchase, production, collaboration, dealership etc., may also be made at these fairs.

Idea processing and selection:

1. Preliminary Evaluation and Testing of Ideas:

The following considerations are significant in the evaluation and testing of business ideas.

a. Technical feasibility:

It refers to the possibility of producing the product. Technical feasibility of an idea is judged in terms of availability of necessary technology, machinery and equipment, labour skills and raw materials. The advice and assistance of technical experts may be necessary to judge the technical feasibility of various business ideas.

b. Commercial viability:

A cost-benefit analysis is required to ascertain the profitability of the ideas. An elaborate study of market conditions and prevailing situation is made to assess the viability

and prospects of the proposed project. This is known as feasibility study of the project. A number of calculations have to be made about the likely demand, expected sales volume, selling price, cost of production, break-even point, etc.

2. Detailed Analysis:

After preliminary evaluation of the idea, the promising idea is subjected to a thorough analysis from all angles. Consultations with experts in various areas of the industry may be necessary to carry out the detailed analysis. After the evaluation of a business idea is completed, the findings are presented in the form of a report known as 'feasibility report' or 'project report'. This report helps in the final selection of project. It is also useful for procuring licenses, finance, etc. from governmental agencies.

3. Idea Selection:

Generally, the following considerations influence the selection of idea for a product or service:

- Products whose imports are banned or restricted by the Government
- Products which can be exported easily and profitably.
- Products whose demand exceeds their supply so that there exists ready demand.
- Products in which the entrepreneur has manufacturing and marketing experience.
- Parent ancillary relationships i.e., the product is to be manufactured for a parent company.
- Products which showed high profitability.
- Products which ensured specific advantages.
- Products for which incentives and subsidies are available.

4. Input Requirements:

Once the promoter is convinced of the feasibility and profitability of the project, he assembles the necessary resources to launch the enterprise. He has to choose partners/collaborators, collect the required finances and acquire land and buildings, plant and machinery, furniture and fixtures, patents, employees, etc., Decisions have to be made about the size, location, layout, etc., of the enterprise. The form of ownership organisation has to be selected.

UNIT – III

PROJECT IDENTIFICATION AND CLASSIFICATION

Meaning and Definition of Project:

Project is of crucial importance to an entrepreneur since the success or failure of an enterprise depends on the project. A project is nothing but an idea or plan that is intended to be carried out. In a businessman's language, it is a specific activity on which money is spent in the expectation of some returns.

A project necessarily involves allocation and consumption of resources on the one hand and generation of resources, goods or services on the other.

According to Harrison, a project management scholar a project can be defined as “a non-routine, non-repetitive, one-off undertaking normally with discrete time, financial and technical performance goals”.

Project Objectives:

Project objective is an important element in the project planning cycle. The essential requirements for project objectives are :

- Specific, not general
- Not overly complex
- Measurable, tangible and verifiable
- Realistic and attainable
- Established within resource bounds
- Consistent with resources available or anticipated
- Consistent with organisational plans, policies and procedures

The project objectives are aimed to complete the project on time, completion of the project within contemplated costs and the completion of the project at a profit to the company. Project objectives are divided into two categories, namely, 'retentive' objectives and 'acquisitive' objectives. Retentive objectives are concerned with the relation and preservation of resources like money, time, energy, equipment and skills. Acquisitive objectives, on the other hand, involve acquisition of resources or attaining states that the organisation or its managers do not have.

Project objectives are also economical and social in nature. The economical objectives of the project are in the form of profit-oriented. The social project objectives are service-oriented. The economical objectives are primarily concerned only with the primary financial costs and benefits of the project. The social project objectives are inconformity with social cost benefit aspects of individual projects.

Project Classification:

Projects have been classified differently by different authorities and in fact project classification helps in graphically expressing and highlighting the essential features of a project. Thus, the different authorities like the Planning Commission, All India Financial Institutions etc., have classified projects differently according to their need and in general, the project classification can be studied under the following heads:

1. Quantifiable and non-quantifiable projects
2. Sectoral projects
3. Techno-Economic projects
4. Financial Institution's projects

1. Quantifiable vs. Non-Quantifiable Projects :

Quantifiable projects are those, the benefits of which can be assessed in quantifiable terms. For instance, projects dealing with industrial development, power generation etc., come under this category. On the other hand, non-quantifiable projects are those projects where such a quantifiable assessment of benefits is not possible. Projects concerning with health, education, defence etc., are examples for non-quantifiable type.

2. Sectoral Projects

In India, the Planning Commission has adopted the sectoral basis for project classification so as to allocate the scarce resources at macro levels. Accordingly, a project may fall into any one of the following sectors:

- Agriculture and Allied Sector
- Irrigation and Power Sector
- Industry and Mining Sector
- Transport and Communication Sector
- Social Services Sector
- Miscellaneous Sector.

3. Techno-Economic Projects

Sometimes, projects can be classified on the basis of techno-economic factors like the size of investment, factor intensity etc. This classification is very useful in facilitating the process of feasibility appraisal. In fact, the United Nations Organisation and its specialized agencies use the International Standard Industrial Classification of all economic activities (ISIC) in collection and compilation of economic data regarding projects.

On the basis of Techno-economic factors, projects can be again classified into:

- a. Factor Intensity Oriented Classification
- b. Causation Oriented Classification

C. Magnitude Oriented Classification

a. Factor Intensity Oriented Classification:

Under this type, a project is classified on the basis of the factor intensity, viz., whether capital intensive or labour intensive. In the case of a project where large scale investment is made on plant and machinery, it is called capital-intensive project. Heavy investment on human resources makes it labour-intensive.

b. Causation Oriented Classification

The cause for starting a project forms the basis for classification of projects under this type. For instance, the availability of certain raw materials is the proximate cause for starting a project, the project is classified as raw materials based. On the other hand, the demand for goods and services forms the basis for starting a project, then it is classified as demand-based.

c. Magnitude Oriented Classification

Under this type, the size of the investment forms the basis of classification. Thus, projects may be classified into large-scale, medium-scale, small-scale etc., depending upon the quantum of project investment.

4. Financial Institution's projects

The various financial institutions established both at the Central and State levels have classified projects into profit-oriented projects and service-oriented projects. The profit-oriented projects can again be classified into:

- New Projects
- Expansion Projects or Development Projects
- Modernisation Projects or Technology Projects
- Diversification Projects

Similarly, the service-oriented projects can be classified as follows:

- Welfare Projects
- Service Projects
- Research and Development Projects
- Educational Projects.

Project Identification:

Project identification refers to the process of finding out the most appropriate project from among the several investment opportunities. According to **Vasant Desai**, "Project identification is concerned with the collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment".

In this context, it is worthwhile to remember **Peter F. Drucker** who has laid down three kinds of opportunities, viz.,

1. Additive opportunity
2. Complementary opportunity and
3. Breakthrough opportunity.

Additive opportunity enables an entrepreneur to utilise the existing resources without making any change. Complementary opportunity involves the introduction of new ideas and it results in a certain amount of change in the existing business structure. Breakthrough involves drastic and fundamental changes in the existing business. Therefore, risk is least in the case of additive opportunities, greater in complementary and greatest in breakthrough opportunities. A prospective entrepreneur should keep in mind the above opportunities in choosing a suitable project.

Project identification requires a careful identification of the characteristics of a project.

Every project has three dimensions, viz., inputs, outputs and social costs and benefits. The 'input' element comprises of what the project will consume in terms of raw material, man power, energy, organizational set-up etc., The 'output' component deals with the outcome of the project in the form of goods and services, revenue, employment potential etc. Apart from these inputs and outputs, every project has an impact on the society. Therefore, it is equally important to evaluate carefully the sacrifice which a society has to make and the benefits that may accrue to the society from the given project.

Desk Research and Techno-Economic Survey:

Desk research and techno-economic survey are two important techniques of project identification. Desk research implies the collection and use of information from published sources like journals, magazines, reports etc. Techno-Economic survey is an investigation conducted by a team of experts for identifying the industrial development potential of an area. Central and State Government agencies offers commission such surveys.

Data and product identification may be obtained from the following sources :

- Industrial potential surveys
- Lead bank survey reports
- New process/product development in research laboratories
 - Literature on Industries within the country and abroad
 - Import/Export statistics
 - Profitability studies of selected industries
 - Studies on price and shortage of certain commodities.

A distinction should be made here between demand based industries and resources based industries. Demand-based industries are those whose products and services are required

by the existing industries as raw materials and component parts. For example large projects like BHEL, Maruti Udyog, etc., require a large number of items.

In the selection of resource-based industries, the availability of the necessary inputs must be ensured. For example, a rice bran oil mill can be set up near rice mills, a poultry feed unit near oil mills, and so on. This will ensure the availability of necessary raw materials.

PROJECT CONSTRAINTS

There are two types of constraints. They are

1. Internal constraints
2. External constraints

1. Internal Constraints:

Internal constraints arise on account of the limitations of the management system which will eventually be responsible for the implementation of a project. These are narrated as under:

- Entrepreneurs, while implementing the projects, rely more on outside consultants for preparation of feasibility reports in the formulations of their projects. This is an important constraint in the early implementation of the project.
- For early implementation of projects within the budgeted cost and time schedule, all the entrepreneurs cannot develop independent project management. In such a situation, the entrepreneurs inherent internal constraints are developing well equipped project management strategies and tools while implementing them.
- Project management team is not much involved with the determination of project objectives. Certainly, this will be another internal constraint for the project team to achieve the unrealistic objective which is decided by the top management personnel of the business.
- The availability of the necessary internal project elements and resources are physical and non-physical resources. The physical resources include finance personnel, inventories and facilities. The non-physical resources are patents, secret processes, unique experience and skills. Both physical and non-physical resources are the important constraints for the entrepreneurs to make available at time when the project implementation is in progress.

2. External constraints:

The external constraints are also another important constraints for the entrepreneurs who venture into project implementation. These are described as under:

- The external environment factors like nature, size, location and the extent of project are the important limiting factors for the entrepreneurs when the project does not conform to the socio-economic objectives of the country.
- Government policies and regulations are another major hurdle for the entrepreneurs while implementing the projects. They are mainly in the form of delay in giving approval to the entrepreneurs in the medium of industries licensing, foreign collaboration approval, CCI clearance, environmental clearance, foreign exchange permit, capital goods approval and import goods clearance.
- Financial institutions banks are the important external financial source for the entrepreneurs while financing their projects. The financial institutions and commercial banks cumbersome procedures and documentation system are important external constraints for the entrepreneurs in the form of delay in financing the projects.

Project Life Cycle

Just like human beings, projects also do have a life cycle. A project has to necessarily pass through the following stages in its life cycle:

1. The Pre-investment stage
2. The Construction stage
3. The Normalisation stage

1. The Pre-Investment Stage

This is the first phase in the life cycle of a project. This stage is concerned with the setting up of aims and objectives, demand forecasting, selection of best means to achieve the objectives, evaluation of input characteristics, projection of financial plan, cost-benefit analysis and finally pre-investment appraisal.

2. The Construction Stage

This stage starts after the investment decision is taken either by promoters or financiers. During this stage, the investment proposal is developed into a tangible project so as to achieve the objectives already laid down. At this stage, resources are invested in building, the basic assets of the project so that, necessary infrastructure may be developed for the project. The assets may be in the forms of land and building, plant and machinery, transport and communication, sales and marketing, acquisition of materials and supplies, devising of appropriate control systems, management of personnel etc.

3. The Normalisation Stage

The main objective of this stage is to produce goods and services (outputs) for which the project was established. In other words, during this stage, the assets created in the second stage are utilized to produce goods or services and thus, the project starts operating by processing inputs and generating outputs.

UNIT - IV

PROMOTING AND STARTING AN INDUSTRIAL UNIT

Nature and Types of Promoters

Promoters of a company:

A Promoter conceives an idea for setting-up a particular business at a given place and performs various formalities required for starting a company. A promoter may be an individual, firm, association of persons or a company. The persons who assist the promoter in completing various legal formalities are professional people like counsels, soliders, accountants, etc., and not promoters.

Definition:

Following definitions of a promoter clarify his status and role:

“A promoter is the one, who undertakes to form a company with references to a given object and sets it going and takes the necessary steps to accomplish that purposes.”-**Justice C.J. Cokbum.**

“A promoter is the person conscious of the possibility of transforming an idea into a business capable of yielding a profit; who brings together various persons concerned and who finally, superintendents the various steps necessary to bring the new business into existence.”
– **Arthur Dewing**

Characteristics or Nature of a Promoter:

The above given definitions bring out the following characteristics or features of a promoter:

- A promoter conceives an idea for the setting-up a business.
- He makes preliminary investigations and ensures about the future prospects of the business.
- He brings together various persons who agree to associate with the him and share the business responsibilities.
- He prepares various documents and gets the company incorporated.
- He raises the required finances and gets the company going.

Kinds of Promoters:

1. Professional Promoters :

These are the persons who specialise in promotion of companies. They hand over the companies to shareholders when the business starts. In India, there us lack of professional promoters. In many other countries, professional promoters have played an important role and helped the business community to a great extent. In England, issue Houses; In U.S.A.,

Investment Banks and in Germany, Joint Stock Banks have played the role of promoters very appreciably.

2. Occasional Promoters :

These promoters take interest in floating some companies. They are not in promotion work on a regular basis but take up the promotion of some company and then go to their either profession. For instance, engineers, lawyers, etc., may float some companies.

3. Financial Promoters :

Some financial institutions or financiers may take up the promotion of a company. They generally take up this work when financial environment is favourable at the time.

4. Managing Agents as Promoters :

In India, Managing Agents played an important role in promoting new companies. These persons used to float new companies and then got their Managing Agency rights. Managing Agency system has since long been abolished in India.

5. Entrepreneurs :

Entrepreneurs are also known as promoters. This type of promoters are found in India in large numbers. This type of promoters conceive the plans for a new enterprise and also take responsibility for its incorporation and management of the company.

6. Lawyers, Engineers and Manufacturers:

Sometimes, Lawyers, Engineers and Manufacturers are also interested to promote a company. They may also be included in the term promoters.

Steps To Start A Small Scale Industry:

This chapter would deal with the various steps to be taken by entrepreneurs to start a small industrial unit and also explain the procedures for obtaining different approvals and sanctions.

Steps to be taken:

1. Selection of the product:

An entrepreneur may select a product according to his own capacity and motivation. The economic viability of product should cover the following demand aspects:

- Volume of existing demand in the domestic market
- Volume of existing demand in the export market
- Volume of aggregate existing demand in all markets
- Volume of potential demand
- The degree of import substitution
- Degree of substitution of an existing product

- The volume of demand by big units for ancillary products

2. Selection of Form of Ownership:

The most commonly chosen forms of ownership for SSI are,

- Sole proprietorship
- Family ownership
- Partnership and
- Private Limited Company

The first two forms are mostly preferred for having unified control over the unit. The next two forms highly facilitate the pooling of financial resources, managerial and technical skills, and business experience.

3. Selection of Site:

The third important step is choosing of a suitable plot for factory or shed. While selecting a site, an entrepreneur is to take into consideration the following factors:

- The site is situated in one's native place.
- The site enjoys most or all incentives provided by the Government.
- The site is near a market.
- The site is near the source of labour supply and raw material.
- The site has modern infrastructural facilities.

4. Designing Capital Structure:

The initial capital of a new venture comes from the following sources:

- Own Capital
- long term loans from friends and relatives and
- term loans from banks and financial institutions. Banks play an important role in providing working capital finance.

5. Acquisition of Manufacturing know-how:

Many institutions like government research laboratories, research and development divisions of industries and also individual consultants provide the manufacturing know-how.

6. Preparation of Project Report:

The project report being compiled by the entrepreneur should accomplish the purpose of providing a "Birds-eye-view" of the entire spectrum of activity.

a. Technical feasibility:

Technical feasibility would encompass factors such as description of the product specification to be adopted, raw materials available as per requirements, quality control measures, power supply, availability of water, transport facilities and communication network.

b. Economic viability:

It essentially involves compilation of demands for domestic and export markets, most appropriate installed capacity requirements, capturing a

substantial share of market sale, revenue expected, suitable price structure and so on.

c. Financial implications:

Project costs covering “Non-recurring expenses” such as land and buildings, plant and machinery, equipments, pre-operative expenses and so on and “Recurring Expenses” such as working capital needs, raw material needs, wages for personal and so on will have to be worked out in detail.

d. Managerial competency:

The new entrepreneur manager entering the small scale sector should devote his full attention to the new venture and should consider the product line chosen as a “Major Economic Activity”.

e. Registration as SSI:

- **Temporary registration certificate :**

He would be initially issued a provisional (temporary) SSI Registration Certificate. It is usually provided for a period of one year, and subsequently renewed for two periods of 6 months each.

- **Permanent Registration Certificate:**

An industrial unit which has commenced production or is found to be in readiness to go into production is eligible to get the permanent registration certificate.

7. Power Connection:

To get power connection, the New Entrepreneur has to make an application to the Assistant Divisional Engineer, Tamil Nadu Electricity Board, the LOAD APPLICABLE for the new unit would be decided. The New Entrepreneur may have to pay security deposit amounting to three months power connection.

8. Arrangement of Finance:

The funding requirements of a project are of

- Long term requirements for acquiring fixed assets like land and building, plant and machinery and for security deposits.
- Short term loans for working capital in the form of key loan/cash credit/Bill discounting, etc.

Meaning and Definition of Incentives and Subsidy:

The term “incentive” is a general one and includes concessions, subsidies and bounties. ‘Subsidy’ denotes a single lump sum which is given by a government to an industry. It is granted to an industry which is considered essential in the national interest. The term ‘bounty’ denotes bonus or financial aid which is given by a government to an industry to help it compete with other units in a nation or in a foreign market. It is given in proportion to

its output. Bounty confers benefits on a particular industry, while a subsidy is given in the interest of the nation.

These subsidies and incentives offer the following advantages:

- They act as a motivational force which makes the prospective entrepreneurs to enter into manufacturing line.
- They encourage the entrepreneurs to start industries in backward areas.
- By providing subsidies and incentives the Government can
 - Bring industrial development uniformly in all regions
 - Develop more new entrepreneurs which leads to entrepreneurial development
 - Increase the ability of entrepreneurs to face competition successfully
 - Reduce the overall problems of small scale entrepreneurs.

Need For Incentives:

A) To remove regional disparities in development:

While developed regions in a country are overcrowded with industrial and business activities the backward areas remain ignored for want of facilities for industrial development. Incentives are used to remove regional disparities in development. In the long run the backward areas become developed and regional imbalances are corrected.

B) To promote entrepreneurship and strengthen the entrepreneurial base in the economy:

The new entrepreneurs may face a number of problems on account of inadequate infrastructure facilities and other supporting services such as market assistance, technical training and consultancy and other institutional services. etc. All these problems may demotivate them. Industrial estates, growth centres, power tariff concessions, capital investment subsidies, transport subsidy, etc., are a few examples of incentives and subsidies which are aimed at encouraging entrepreneurs to take up new ventures without much reluctance.

C) To provide competitive strength, survival and growth:

While some incentives are available at the time of promotion of industrial units, several other incentives are made available over a long period. Reservations of products to small units, price preferences, concessional finance, etc., contribute towards the competitive strength, survival and growth of certain industrial units.

D) To generate more employment and remove under-employment and unemployment:

The proper use of incentives and subsidies will generate more employment by accelerating the industrial growth. This will create more number of jobs which will help to reduce the problems of unemployment and under-employment.

Incentives and Subsidies Available:

The following are the incentives or subsidies offered by the Government of Tamil Nadu:

1. Most Backward Area Capital Subsidy :

This investment subsidy is given for all new industrial units set up in 71 most backward blocks and SIPCOT industrial complexes at Pudukottai, Manamadurai and Tuticorin. The subsidy is given at 20 % of fixed assets subject to a maximum of Rs.20.00 lakh.

2. Backward Area Capital Subsidy :

This investment subsidy is given at the rate of 15% on fixed assets subject to a ceiling of Rs.15.00 lakh for new industries set up in 216 backward blocks in all other industrial estates and complexes developed by the Government Agencies including Madras Export Processing Zone.

3. Special Capital Subsidy for Thrust industries :

- a. An investment subsidy of 20% of fixed assets subject to a maximum of Rs.20.00 lakh is granted to the following industries located anywhere in Tamil Nadu.
 - i. Electronics
 - ii. Leather.
- b. Small scale units in the following thrust industry are eligible for a capital subsidy at a rate of 20% of fixed assets subject to a maximum of Rs.15.00 lakhs irrespective of the location.
 - i. Automobile spare parts
 - ii. Drugs and pharmaceuticals
 - iii. Pollution control equipment
 - iv. Export oriented jewellery making and diamond processing units
 - v. Food processing industries
 - vi. Sports goods and accessories
 - vii. Solar energy and non-conventional energy devices
 - viii. Jute industries in specified area.

4. Additional Subsidy for Employment of Women Workers :

New industrial units which employ more than 50% of women in workforce are eligible for an additional subsidy of 5% upto a ceiling of Rs.5.00 lakh.

5. Generator Subsidy :

In order to encourage units to have reliable power supply, subsidy for installation of new generators for captive use to the extent of 15% of the cost upto a maximum of Rs.5.00 lakh is given to small scale units.

6. Special Effluent Treatment Plant Subsidy:

A special subsidy of 10% of the value of assets created towards setting up of effluent treatment plant with a ceiling of Rs.2.00 lakh is made available for installation of effluent treatment plant by existing tanners.

7. Subsidy for Modernisation and Quality Improvement :

A capital subsidy of 12% for investment in modernisation and upgradation of technology in selected sectors is provided by the Central Government. To encourage total Quality Management Rs.75,000 is granted to each unit and it will continue till the end of 10th Plan.

8. Subsidy for Water Royalties :

For new industries set up in backward areas water royalty is fixed at Rs.360 p.a. for drawing any quantity of water in the first six years. This subsidy is available in the following areas: Tiruchy, Madurai, Ramanathapuram, Dharmapuri, South Arcot, North Arcot, Thanjavur, Kanyakumari, Maraimalai Nagar and Kunnathur.

9. Exemption from Stamp Duty :

Exemption from paying stamp duty is given for plots acquired in the growth centres located at Hosur, Ranipet, Pudukottai, Cuddalore, Gummidipoondi and Manamadurai.

The subsidies are subject to modification by the government from time to time. The subsidies listed above are not available at present in Tamil Nadu. In its place a new scheme called ANNA MARUMALARCHI THITTAM has been introduced. According to this scheme a subsidy of 15% subject to ceiling of Rs.15 lakhs is granted to investment in plant and machinery only.

VARIOUS INCENTIVES OFFERED BY THE CENTRAL GOVERNMENTS TO SSIs:

We shall now discuss about the various important incentives and subsidies available to the small scale industrial units.

1. Capital Investment Subsidy(CIS).
2. Transport Subsidy.
3. Sales Tax Exemptions.
4. Provision of Seed Capital.
5. Provision of Concessional Power and Water.
6. Purchase of Raw Materials.
7. Allotment of Industrial Sheds.
8. Export of Incentives and Subsidies.
9. Subsidy for Power Generators.
10. Special Incentives to Women Entrepreneurs.
11. Exemption from Stamp Duty.
12. Subsidising the Cost of Market Studies/Feasibility Studies/Reports.
13. Special concessions to Scheduled Caste and Scheduled Tribe Entrepreneurs.
14. Preferential Purchases from SSI Sector.
15. Interest Free Sales Tax Loans(IFST).

1. Capital Investment Subsidy Scheme

Under this scheme, a subsidy will be granted on the capital investment. A grant of 10% of the capital invested in industrial units is available in the areas notified by the Central and State Governments. Under this scheme, the Government has notified 300 districts in the country as backward. They have classified the backward areas into 3 categories. In the category 'A', 25 per cent of the investment subject to a ceiling of Rs.25lakhs, in category 'B', 15per cent subject to a ceiling of Rs.15lakhs, and in category 'C', 10per cent subject to a ceiling of Rs.10lakhs, are offered as subsidy.

2. Transport Subsidy Scheme

With a view to promote small scale industries in India, the government has granted transport subsidy to the units for transporting raw materials and finished goods to and from the units in the hilly areas. This scheme is operated in the states like Jammu and Kashmir, Assam, Nagaland, Meghalaya, Manipur, and Tripura, Arunachal Pradesh and Mizoram.

3. Sales Tax Exemptions

New small scale units located in places outside some  specified distance from the cities, are eligible to get sales tax concessions and exemptions. Interest Free Sales Tax Loan is given for the first five years of commencement of production, which is recoverable in 3 equal annual instalments from 6th year onwards.

4. Provision of Seed Capital

The Government offers initial capital known as Seed Capital or Risk Capital for the purpose of starting industries. In deserving cases, the financial institutions provide a sum towards marginal money to obtain loan. The initial capital helps the poor but deserving entrepreneurs to enter into business and industry.

5. Provision of Concessional Power and Water

New units started in the notified backward areas are eligible to get power as well as water at concessional rates in order to have uninterrupted production.

6. Purchase of Raw Materials

Scarce raw materials like iron and steel, coke, match wax, potassium chloride, caustic soda, fatty acids etc., are produced and supplied to SSI units. In our state, the Small Industries Development Corporation (SIDCO)procures the key raw materials from the main producers and supplies them to the needy entrepreneurs.

7. Allotment of Industrial Sheds

Work shed is the basic infrastructure required for an industry. The Government allots work sheds to the entrepreneurs. At present, in Tamil Nadu, there are mainly two agencies offering this facility to the entrepreneurs.

They are,

1. Director of Industry and Commerce.
2. Small Industries Development Corporation(SIDCO)

8. Export Incentives and Subsidies

With a view to boost the export market and earn foreign exchange, the Government has granted subsidies to the units exporting goods. Besides, government had flamed several schemes to grant incentives and other benefits both under direct and indirect taxes.

9. Subsidy for Power Generators

In many states, the industrial units suffer from power shortages, power shedding and fluctuation problems. Hence, the government is giving loans to purchase “**Generators**” to solve the power problems. The entrepreneurs can obtain this subsidy on easy terms and install a generator in their units.

10. Special Incentives to Women Entrepreneurs

Having realised the significance of the role to be played by women in the country’s development, special incentives are offered to women entrepreneurs who would like to join in the manufacturing line. The Government is giving immediate finance and arranges for other facilities. Government agencies as well as private voluntary agencies also do provide various assistances including vocational training to women.

11. Exemption from Stamp Duty

Tamil Nadu Government has declared G.O. by which the entrepreneurs need not pay stamp duty for the registration of plots allotted to them by the State-owned financial institutions. For instance, in Tamil Nadu, State Industries Promotion Corporation of Tamil Nadu (SIPCOT) had allotted plots to the entrepreneurs in places like Hosur, Ranipet, Cuddalore, Pudukottai, Gunmidipoondi and Manamadurai.

12. Subsidising the Cost of Market Studies/Feasibility Studies/Report

In order to encourage the small scale entrepreneurs the State-owned technical consultancy organisation known as ITCOT provides a subsidy scheme, under which the charges for preparing project report, pre-investment study, market surveys undertaken by the organisation, are subsidised to the extent of nearly 80% of the total cost of the assignment or Rs.5,000 whichever is less, and the balance amount has to be given by the entrepreneurs.

13. Special Concessions to Scheduled Caste and Scheduled Tribe Entrepreneurs

The Industrial Finance Corporation of India offers subsidy to physically handicapped entrepreneurs as well as SC/ST entrepreneurs to prepare project report, pre-investment study and market surveys. The subsidy will be 100% of the total cost of the consultancy services offered to them.

Likewise, SC/ST entrepreneurs need not pay 25% of the margin money requirements. They have to pay just 10% as margin money for availing the financial assistance. There is also reduction in the rate of interest to the extent of 1.5% provided the units are started in the notified backward areas.

14. Preferential Purchase from SSI Units

The Government of India had reserved more than 900 items for the exclusive production of SSI units in accordance with Industrial Policy Resolutions. In the interest of growth of small scale units, Government departments make preferential purchases from this sector. The SSI units are also given price preference up to a maximum of 15% in the case of items purchased from both small and large scale units.

15. Interest Free Sales Tax Loans (IFST)

This scheme is available to the small scale units that are situated outside the cities like Chennai, Madurai, Coimbatore, Salem and Trichy. Under this scheme, all new small scale units, which are having location in places outside 15 K.m. away from Chennai city and those outside 8 K.m. belt areas away from Coimbatore, Madurai, Salem and Trichy in Tamil Nadu, are eligible for assistance. The assistance shall not exceed 20% of the fixed assets or Rs.20lakhs whichever is less. The entire loan is interest free and recoverable in three equal annual instalments from the 6th, 7th and 8th year.

UNIT – V

INSTITUTIONS FOR ENTREPRENEURIAL DEVELOPMENT

District Industries Centre (DIC):

The establishment of District Industries Centre in 1978 was a landmark in the development of small and cottage industries in India. The Industrial Policy Resolution, 1977 proposed the setting up of District Industries Centre in the headquarters of each district in India. DIC was set up to provide under single roof all the services and support required by small and village entrepreneurs. The entrepreneurs who had to go to different agencies before that for assistance, finance, training, technical advice etc. would now be provided with all these services in one place. At present there are 422 DICs operating in 431 districts of our country.

Structure of DICs:

DICs consist of:-

- One General Manager
- Four Functional Managers:
 - 1) Economic and Investigation
 - 2) Credit
 - 3) Village Industries
 - 4) Raw material/Marketing/Training.
- Three Project Managers:

To provide technical services in the area relevant to the needs of the districts concerned.

Functions of District Industries Centre:

1. Motivation Campaign :

District Industries Centres conducts motivation campaigns throughout the districts to motivate and identify the potential entrepreneurs.

2. Surveys:

DIC conducts surveys to assess industrial potential in the district keeping in view the availability of raw materials, human skills, infrastructure, demand etc. It prepares techno-economic studies, identifies product lines and works out cost estimates. On the basis of such investigation it provides investment advice to entrepreneurs.

3. Action Plans:

For the industrial development of the district, Action plans are prepared by the DIC. These plans are co-ordinated with the District Credit Plans of the Lead Bank.

4. Registration:

DIC provides provisional and permanent registration to the new entrepreneurs.

5. Help to Obtain Credit:

DIC recommends loan applications to banks and financial institutions and helps to obtain credit. It keeps liaison with banks and financial institutions and monitor flow of credit to industries in the district.

6. Guidance:

It provides guidance and assistance to entrepreneurs in identifying appropriate machinery and equipment, ascertaining the sources of supply for machinery and also importing machinery. It also ascertains raw material requirements and their sources, arranges bulk purchase of raw materials and interact with various authorities for the supply of scarce and critical raw material.

7. Recommending Application to Various Organisation:

It helps the entrepreneurs to get power connection by pursuing with Electricity Board. Recommends applications for power tariff concessions and subsidies.

8. Marketing Assistance:

DIC collects marketing information, organises marketing outlets, keeps liaison with government procurement agencies, assesses the possibilities of export and ancillarisation and suggests appropriate marketing strategies to entrepreneurs.

9. Training:

DIC conducts training programme for artisans and identifies opportunities and projects for the trainees.

10. Entrepreneur Development Programme:

DICs conduct EDPs in association with SISI and various TCOs to develop entrepreneurial skills in the young entrepreneurs.

11. Fairs and Exhibitions:

The DICs encourage the SSI units to participate in the International Trade Fairs by providing free space for display of their products.

In addition to the above, the government has set up the following institutions to give training and consultancy services like technical consultancy, tool room service, business management courses, training to technical personnel and assistance in design and development.

State Small Industries Corporation (SSIC):

Many State Governments have set up Small Industries Corporations in order to undertake a number of commercial activities. The most important of these activities are distribution of scarce raw materials, supply of machinery on hire-purchase basis, constitution and management of industrial estates, procurement of orders from Government Departments, assistance in export marketing and in certain cases provision of financial, technical and managerial assistance to small enterprises. It provides the following facilities to small scale units:

1. Provision of constructed sheds/plots in industrial estates. These are sold to entrepreneurs on hire-purchase basis or given on rental basis.
2. Assistance in procuring some scarce key raw materials like iron and steel, paraffin wax, potassium chlorate, fatty acids, etc., through its various distribution centres.
3. Financial assistance in the form of subsidies to industrial units in backward areas like Central Investment Subsidy, State Capital Subsidy. Interest-free Sales Tax Loans, Power Tariff Subsidy and Margin Money Assistance for the rehabilitation of the sick small-scale industries.
4. Marketing assistance to small entrepreneurs.

SMALL INDUSTRIES DEVELOPMENT ORGANISATION (SIDO)

SIDO is a policy-making coordinating and monitoring agency for the development of small scale entrepreneurs. It maintains a close liaison with government, financial institutions and other agencies which are involved in the promotion and development of small scale units. It provides a comprehensive range of consultancy services and technical, managerial, economic and marketing assistance to SSI units. It has a network of 25 small Industries Service Institutes, 20 branch SISIs, 41 Extension Centres, four Regional Testing Centres, one Product and Process Development Centre, three Footwear Training Centres and five Production Centres.

Functions:

The main functions of the SIDO are coordination, industrial development and industrial extension service. Some important functions are:

1. To assess the requirements of indigenous and imported raw materials and components for the small-scale sector and to arrange their supplies
2. To collect data on consumer items which are imported and encourage the setting up of new units by giving them coordinated assistance.
3. To prepare model schemes, project reports and other technical literature for prospective entrepreneurs.

4. To assist and advise the Controller of Capital Issues in regard to the issue of import licences and the imposition of import restrictions on various products whose manufacture has already been undertaken indigenously by the existing or new units
5. To secure reservation of certain products for the SSIs.
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10. To secure reservation of certain products for the SSIs.

Industrial and Technical Consultancy Organisation of Tamil Nadu (ITCOT)

ITCOT was incorporated in 1979 as a joint venture of leading financial institutions. State Development Corporations and Commercial banks to provide consultancy service to industry and service sectors.

The promoters of ITCOT are IDBI, ICICI, IFC, SIPCOT, THC, SIDCO and commercial banks, viz., SBI, Bank of Baroda, Canara Bank, UBI, Central Bank of India, IOB, Indian Bank, The Lakshmi Vilas Bank and The Karur Vysya Bank.

ITCOT offers a wide range of consultancy services.

1. Core Consultancy Services

Pre-Investment Studies

- Project Identification
- Preparation of Project Profile
- Techno Economic Feasibility Studies
- Market Surveys
- Preparation of Project Reports

Escort Services

- Assistance in obtaining government approval
- Loan Syndication
- Project Appraisals
- Asset valuation
- Stock Audit
- Sick Unit Rehabilitation Studies

- Industry Specific Studies and Special Studies

2. Energy Consultation Services

Renewable Energy

- Market Surveys
- Techno Economic Feasibility Studies
- Design Supervision
- Project Monitoring
- Selection of Project Site

Environment

- Environmental Audit
- Environment Impact Assessment
- Techno Economic Feasibility Reports
- Energy Audit
- Energy Conservation Studies

3. IT Consultancy

- Identification of IT activities having export market
- Setting up of export oriented IT project
- Exploring strategic alliance possibilities abroad
- Computer Training

The above consultancy services are available to small and medium enterprises, corporate, individual entrepreneurs, public sector undertakings, co-operatives, BGOs, governments and industry/trade associations.

ITCOT also has conducted training programmes to business people, executives and development agencies on topics such as Non Performing Assets, Project Financing and Appraisal, opportunities in Insurance Industry and in Herbal Industry and Entrepreneurship Development.

During the past two decades, it has undertaken over 3000 assignment of varying nature, topic and scope. Besides, ITCOT has brought out industry specific publications and opportunity study reports with the objective of providing informational input to enable enterprises and entrepreneurs to take appropriate investment decision.

NATIONAL ALLIANCE OF YOUNG ENTREPRENEURSHIP (NAYE)

National Alliance of Young Entrepreneurs (NAYE) sponsored on Entrepreneurial Development Scheme with Bank of India in August 1972 on pilot basis. This scheme, known as BINEDS, is operative in the States of Punjab, Rajasthan, Himachal Pradesh, Jammu and Kashmir and Union Territories of Chandigarh and Delhi. NAYE entered into similar arrangements with a few other banks as are described below:

1. Dena Bank... NAYE: For promoting ancillary units and small-scale enterprises in Chennai.
2. Punjab National Bank... NAYE: Entrepreneurship Assistance Programme launched in the States of West Bengal and Bihar in March 1973.
3. Central Bank of India... NAYE: Entrepreneurship Development Programme being implemented in Maharashtra.
4. Union Bank of India... NAYE: Entrepreneurship Development Programme inaugurated in June 1975 in Tamil Nadu with an intention to adopt 200 entrepreneurs.

The main objective of the scheme is to help young entrepreneurs in identifying investment and self-employment opportunities; securing proper arrangements for their training including development of their manufacturing capabilities, providing necessary financial assistance on the basis of properly prepared reports, securing package of consultancy services on appropriate terms and arranging for all possible assistance, facilities and incentives being extended to young entrepreneurs by Government and other institutions.

Financial assistance, which is granted by the commercial banks is generally restricted to Rs.2 lakhs in the case of individual entrepreneurs and Rs.3 lakhs for two or more entrepreneurs and is worked out on 'need basis'. The term loans (for acquisition of land, building, plant and machinery) are repayable out of cash generation of the unit. Suitable repayment holiday concessions for repayment of principal and interest are provided during the gestation period. The extent of entrepreneur's own investment is decided on the basis of resources available at his family's disposal and in deserving cases full cost of the project is financed by the bank.

COMMERCIAL BANKS

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

1. Liberalised Scheme:

Under the liberalised scheme, the State Bank of India for the first time, introduced the concept of need based approach to financing small scale industries. The bank extended financial assistance for any viable scheme. All financial requirements of the unit for acquisition of fixed assets and working capital is met comprehensively. The scheme made a departure from the security oriented approach. No viable unit was denied financial assistance for want of security.

2. Entrepreneur Scheme:

This scheme was introduced for financing technically qualified/skilled entrepreneurs. Under this scheme 100% finance was provided to entrepreneurs without insisting on any minimum equity contribution. This scheme was specially designed for engineering degree and diploma holders and also individuals technically

skilled through experience, but unable to bring in their own capital though they have a viable project.

3. Equity Fund Scheme:

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

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

Besides, banks introduced special schemes of financing artisans, craftsmen and village industries. At present, these schemes have undergone many changes.

RBI appointed a one-man High Level Committee headed by S.L. Kapoor to suggest measures for further improving the delivery system and simplification of procedure for credit to SSI sector. RBI has accepted 35 recommendations of the Committee. Some of the recommendations are the following:

- Simplification of application forms.
- Delegation of more powers to grant adhoc funds to meet temporary requirements.
- Freedom to banks to decide their own norms for credit requirements.
- Opening of specialised branches by banks.
- Enhancement in the limit for composite loan to Rs.5 lakhs.

New Entrepreneurial Development Agency (NEDA), 1986

The New Entrepreneurial Development Agency has been created in order to assist educated unemployed graduates to set up SISI units in urban and metropolitan areas. The Agency will choose candidates only from among those sponsored by Government Institutions and Agencies like SISI, DICs, University Employment Guidance Bureau, etc.

The selected candidates will be assisted in selecting the projects suitable to their aptitude and background. The candidates on identifying the projects will undergo an Entrepreneurial Development Programme to be conducted by Agencies like SISI, ITCOT, etc. Practical training will also be arranged in industries, wherever possible.

Projects with credit requirement upto Rs.5 lakhs are only eligible for finance under the scheme. Hundred per cent finance will be provided in the beginning and the margin will be built upto 20 per cent over a period of time depending on the profitability of envisaged project.

The maximum amount of loan will be Rs.5 lakh and the repayment of term loans will be based on the profitability projection and within seven years. The interest rate for medium term loan is 13.5 per cent p.a. and for working capital 14 per cent p.a. upto Rs.2 lakhs and 15.5 per cent p.a. above Rs.2 lakhs upto Rs.5 lakhs.

The candidate will be assisted in getting marketing tie-up with user-industries, wherever possible. Their units will have to be registered as small scale industries with Directorate of Industries and commerce, or the DICs as the case may be.

DIRECTORATE OF INDUSTRIES

The small-scale industries are a State subject and, therefore, the development and implementation of the schemes of assistance to SSIs is the primary responsibility of the State Government. Directorates of Industries in each State do the work relating to the development of industries in general and small-scale industries in particular. Each directorate is staffed with administration and technical officers at State headquarters and by a District Industries Officer with supporting staff in each district. The State Directorates run various training schemes, production schemes and common facilities schemes. They also provide facilities of developed industrial land and factory sheds in industrial estates, allocate quotas of scarce raw materials, certify import requirements and organise industrial co-operatives. Their functions are varied and have grown with the development and diversification of the small-scale sector.

INDIAN INVESTMENT CENTRE (IIC)

The IIC is an autonomous, non-profit service organisation financed and supported by the Government of India. It is concerned with the important task of promoting mutually rewarding joint ventures between India and foreign entrepreneurs.

The centre acts as a clearing house for information on economic conditions, laws, procedures, government regulations and specific opportunities for investment in India. It offers objective advice on investment conditions in the light of industrial priorities and policies of the Government of India, and on locating suitable Indian partners or prospective foreign investors. It functions as a link between Indian and foreign parties and assists them in coming together for fruitful collaborations and formulating the terms of joint venture participation. Its services are tailored to the needs of industrial corporations and furnished on entirely confidential basis.

The centre functions as a close link between the Government of India and foreign business enterprises. It brings the problems and reactions of entrepreneurs to the notice of the Government in an informal manner and explains to prospective investors the rationale of Government policies and procedures.