



**SYLLABUS**  
**B.Com (FT) III Year**  
**Subject - Entrepreneurship Development**

UNIT - I	Economic Development and entrepreneurship Concept. Social and Psychological Factors in entrepreneurship; Characteristics, Qualities and Pre-requisites of entrepreneurs
UNIT - II	Environment factors affecting entrepreneurship, institutional finance and Entrepreneurship. Local mobility of entrepreneurs
UNIT - III	Different aspect of entrepreneurial organization and performance of entrepreneurial skills.
UNIT - IV	Entrepreneurship, training Preparation and Development Programmes. Evaluating entrepreneurial development programmes. Developing support system.
UNIT - V	Planning and Monitoring entrepreneurship. Entrepreneurs before independence and entrepreneurial growth after independence under planning system.



## UNIT-I INTRODUCTION

**Economic development** generally refers to the sustained, concerted actions of policy makers and communities that promote the living and economic health of a specific area. Economic development can also be referred to as the quantitative and qualitative changes in the economy. Such actions can involve multiple areas including development of human capital, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, safety, literacy, and other initiatives. Economic development differs from economic growth. Whereas economic development is a policy intervention endeavor with aims of economic and social well-being of people, economic growth is a phenomenon of market productivity and rise in GDP. Consequently, as economist Amartya Sen points out: "economic growth is one aspect of the process of economic development.

The University of Iowa's Center for International Finance and Development states that:

'Economic development' is a term that economists, politicians, and others have used frequently in the 20th century. The concept, however, has been in existence in the West for centuries. Modernization, Westernization, and especially Industrialization are other terms people have used while discussing economic development. Economic development has a direct relationship with the environment.

Although nobody is certain when the concept originated, most people agree that development is closely bound up with the evolution of capitalism and the demise of feudalism.

Mansell and Wehn also state that economic development has been understood since the World War II to involve economic growth, namely the increases in per capita income, and (if currently absent) the attainment of a standard of living equivalent to that of industrialized countries. Economic development can also be considered as a static theory that documents the state of an economy at a certain time. According to Schumpeter (2003), the changes in this equilibrium state to document in economic theory can only be caused by intervening factors coming from the outside.

### **Entrepreneurship Concept**

"Entrepreneurship" may result in new organizations or revitalize mature organizations in response to a perceived business opportunity. A new business started by an entrepreneur is referred to as a startup company. In recent years, the term has been extended to include social and political forms of entrepreneurial activity.

Entrepreneurship within a firm or large organization has been referred to as intra-preneurship and may include corporate ventures where large entities spin off subsidiary organizations.

According to Paul Reynolds, an entrepreneurship scholar who created the Global Entrepreneurship Monitor, "by the time they reach their retirement years, half of all working men in the United States probably have a period of self-employment of one or more years; one in four may have engaged in self-employment for six or more years. Participating in a new business creation is a common activity among U.S. workers over the course of their careers." In recent years entrepreneurship has been documented by scholars such as David Audretsch as a major driver of economic growth in both the United States and Western Europe. "As well, entrepreneurship may be defined as the pursuit of opportunity without regard to resources currently controlled (Stevenson,1983)"

Entrepreneurial activities differ substantially depending on the type of organization and creativity involved. Entrepreneurship ranges in scale from solo projects, and even just part-time projects, to major undertakings that create many job opportunities. Many "high value" entrepreneurial ventures seek venture capital or angel funding (seed money) in order to raise capital for building the business. Angel investors generally seek annualized returns of 20-30% and more, as well as extensive involvement in the business.<sup>[4]</sup> Many organizations exist to support would-be entrepreneurs including specialized government agencies, business incubators, science parks, and some NGOs. More recently, the term entrepreneurship has been extended to include conceptualizations of entrepreneurship as a specific mindset (see also entrepreneurial mindset) resulting in entrepreneurial initiatives e.g. in the form of social entrepreneurship, political entrepreneurship, or knowledge entrepreneurship.



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Since 2008, an annual "Global Entrepreneurship Week" has been announced, with the aim of "exposing people to the benefits of entrepreneurship" and getting them to "participate in entrepreneurial-related activities"

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**UNIT-II  
ENVIRONMENT FACTORS AFFECTING ENTREPRENEURSHIP**

**Analysis of External Environment and Competitive Factors**

It is important to put the new venture in a proper context by first conducting an environmental analysis in order to identify trends and changes occurring on a national and international level that are likely to impact the new venture. Internet may also be used nowadays as a fast and effective means to collect some of the needed data and information.

**Environment -**

Enterprises are not islands in themselves. In other words, they function neither in isolation nor in vacuum. They are part of a society and exist in association with their environment, i.e., certain factors surrounding various situations. Environment is the set of factors and forces working within and outside the enterprise and influencing it. Venture's profitability is not determined by what products look like, nor whether it embodies high or low technology; it is rather determined by the environment within which it operates. Thus, ventures are affected by the environment. If a venture is to remain successful and prosperous, it must regularly adapt to its environment which is uncertain and changing. Failure to adequately adapt to the environment may be a major cause of organization's failure.

**Types of Environment -**

**Internal Environment -**

It is also called micro, specific, or organizational environment.

Internal environment is a set of those factors that affect an organization from inside its boundaries. It contains elements that exist within the venture (enterprise) and normally have immediate and specific implications for managing the venture. Broadly speaking, internal environment includes: venture's objectives, its resources, organizational structures, processes and techniques. Venture's resources include: financial and physical or material resources, and human and technological capabilities. Organizational structure, processes and techniques include: marketing, production, finance, research and development and accounting. From a more specifically managerial view-point, internal environment includes: planning, organizing, staffing, directing, and controlling.

**External Environment -**

**It is called macro or general environment.**

External environment is a set of those factors that affect an organization from outside its boundaries. The external environment contains elements that have broad and long-term implications for managing the venture or enterprise. According to Alvar Elving such environment has both direct-action and indirect-action elements.

Direction-action elements of external environment include various stakeholder like shareholders, customers, suppliers, competitors, employees, community or society, special-interest-groups, government and international issues. They are also designated as 'economic environment' or 'task environment'.

Indirect-action elements of external environment include: political, legal, sociocultural and technological components.

It may be noted that when the word 'environment' is used without any epithet like 'internal', 'micro' or 'macro', then it usually means (and will mean in this chapter) to denote external (macro) environment.



### External Environmental Analysis –

The external environment consists of heterogeneous components of elements that exist outside an enterprise, but are relevant to its operations and affect it in various ways. It may be noted that the external environment is usually complex, rapidly changing, uncertain, and not easily controllable. Hence its study becomes all the more important. The elements of external environment and their influences may be discussed as follows:

#### 1) **Economic or Task Environment –**

The economic component indicates how resources are being distributed and used within the environment. The state of economy at present and in the future can affect the prosperity and strategies of an enterprise. The important factors or aspects of economic environment that an entrepreneur would be interested to analyze are: the state of business cycle (like inflation, deflation or recession), national income, distribution of income, monetary policies, fiscal (tax) policies, balance of payments, structure of industry, global economy, state of various resources and facilities like capital, labour, raw materials, infrastructure (like water, power, transportation system, communication system, etc.), and so on.

It may be noted that there are various groups of stakeholders in the economic environment as follows:

- (a) **Customers:** Customers exchange resources, usually in the form of money for the products and services of an enterprise. Progressive entrepreneurs are concerned with who their customers are, with their status, habits and hobbies, likes and dislikes, purchasing power and practices, needs and wants and so on. They are also concerned with who are the potential customers, and what are their needs, requirements and expectations. Changes in environment may lead to changes in customers' buying patterns. Positive buying pattern increases sales; negative three decreases sales. In this area of analysis, the entrepreneur explore three factors: buyer identification, his demographic factors (age, sex, etc.), and geographical factors.
- (b) **Suppliers:** The raw materials, services, energy, equipment and labour taken by the enterprise from the environment and used to produce its products, determine the quality and price of its final product. Every enterprise is therefore dependent on supplies of raw materials labour, capital components, parts, stores, etc. Entrepreneurs are concerned for the cost and regular supplies and also for analyzing long-term trends in the cost, availability of materials etc. and their substitutes, and suppliers' reliability.
- (c) **Competitions:** In order to increase its market share, an enterprise has either to seek additional customers or to beat its competitions. In either case, the entrepreneur must therefore analyze the competition in order to provide superior customer satisfaction. In modern times of globalization of business, foreign competition also poses a special problem to many enterprises. Competitive strength of an enterprise can be well adjusted to the desired level only when the entrepreneur clearly and timely understands its competitions designs, strategies, perception, resources, strengths and weaknesses. The enterprise must move faster than its competitors.

The study of competitive factors has been made in detail later in this Chapter.

- (d) **Employees:** The capabilities of a venture's employees determine to a large extent how well it can perform for the achievement of its objectives. New employees are hired from outside and they may form their trade union, therefore the labour force is considered as an external environmental factors. The labour force may be changing from time to time, which requires necessary behavioural modifications on the part of the entrepreneur. The entrepreneur has also to analyze from time to time the strength of the manpower, skills needed in them, training requirements, etc. He has to negotiate fully well with labour union on issues like wages, working conditions, working hours, welfare activities, etc.



- (e) **Partners/Shareholders:** If the entrepreneur from a partnership firm, there will be some individuals as his partners; and if he establishes a company, there will be shareholders. Partners/shareholders, being owners, have the opportunity to influence it by exercising their voting rights. Nowadays, they are not only interested in the return on their investment, but also take active part in the formulation of major policies and in forcing votes on controversial issues at their meetings. In this context, the entrepreneur has to give more attention towards financial performance of his firm or company, and there may be greater pressure on him to produce short-term results.
- (f) **Community or society:** Members of society may also exert pressure on the enterprise and the entrepreneur in that his venture should do more than just make profits. Business should also respond effectively to social interests, and thus it should be socially responsible too. There are different pressure groups of society in this regard as follows: voluntary agencies and social activists; special interest groups such as consumer activists and environmentalists, executives, and public opinion or view. The consideration about the pressure of such groups becomes necessary for the entrepreneur especially when he is going to establish such venture as will not be free from pollution spreading (water, air or noise pollution) or when it will be a hard liquor shop, in the vicinity of populated area.
- (g) **Governments:** The scope of government intervention in the economy has expanded after World War II (1945), no doubt it may be a controversial issue. The government has been particularly involved with private sector of the economy in her role as "Watchdog". However, it may be noted that if the entrepreneur intends to form a small scale unit, he may enjoy some special incentives from the government. But in any case, the entrepreneur has to think about government policies towards various product items, as well as the licensing hazards, etc.
- (h) **Financial institutions:** Enterprises depend on a variety of financial institutions, including commercial banks, investment agencies and insurance companies, to maintain, expand, and diversify their activities. They are always in need of short-term and long-term finances for their varied kind of operations and requirements. Thus, because of tremendous importance of financial institutions, the entrepreneurs must establish and maintain effective working relationships with them, which definitely a more difficult responsibility.
- 2) **Natural Environment -**  
'Nature' means everything that exists in the World independently of people, such as plants and animals, earth and rocks, and the weather. Natural environment affects strategies. Positive climatic conditions may favour some ventures and may be unfavouring the fertilizers industry. Climatic conditions affect the sale of, say, coolers, room heaters, cloth, agricultural products, and so on. Many firms spend a lot of money on different pollution control devices and projects, which show their concern about the ecological environment. The government has also framed various environmental laws for pollution control. Hence, the entrepreneurs must determine the natural conditions which favour their venture and must make proper strategies to deal with them.
- 3) **Socio-cultural Environment -**  
Socio-cultural environment means the values, attitudes, beliefs, and customs of people (including religious leaders) in a given group or society. Socio-cultural dimensions complicate the environment in which entrepreneurs have to manage their ventures. They must not only identify socio-cultural boundaries but also the underlying similarities and differences. This is particularly important because of the influence that socio-cultural factors make on the consumption habits, living patterns, and work habits of the people. For example, fertility control programmes are opposed by religious leaders. The demand of contraceptives etc. will thus depend upon the strength of influence of religious teaching. Similarly, the women's liberation movement has added to the freedom of women in society, which has positively affected the personal selling method (i.e., door to door selling) and has also resulted in increased business to restaurants, crèches (children homes), prepared foods, fast foods, readymade garments and spices, electronic



household appliances, etc. Thus, changes in social values, whether slow or quick, are inevitable and they cause changes in the way people live which, in turn, alters the venture's environment.

4) **Political-legal Environment** –

The political and legal environment is closely related with social environment. Political environment includes the constitution of the country, political parties, the attitudes and action of political and government leaders and legislators, political stability, government administration, monetary and non-monetary policies, law and order situation, government agencies, etc.

Legal environment includes the passed legislation-rules and regulations and statutes. It contains different laws passed by the government on wages, price, safety, health, work, location of plants, waste treatment, pollution, workers' amenities, restrictive trade practices, licensing, monopolistic practices, choice of industries, and so on. Subsidies by government encourage some firms to grow faster. Restrictions on business create problems for organization. If entrepreneurs are going to be affected by political and legal forces, they should be more active politically and legally. They must systematically identify, evaluate and respond to important political and legal issues so as to make their enterprise more viable in such environment. They may go for lobbying and coalition building etc. to influence the political-legal system.

5) **Technological Environment** –

The term 'technology' refers to the sum total of the ways of doing things-the methods of designing, producing, distributing, and selling goods and services. It includes equipments, techniques and procedures for transformation of various inputs into outputs. Technological changes pose new challenges before entrepreneurs to face. When technology being presently used by the enterprise becomes obsolete, that situation creates typical pressures on entrepreneurs. New procedures and new equipments demand new adjustments of various kinds. Word processing, the instance, has substantially changed the traditional role of secretary. At the same time, technological breakthroughs (important advancements and discoveries) render some skills obsolete, requiring periodic retraining of affected employees. Invention of androids (robots in human form) have vastly changed the workshop designs. Technological advancements may also affect product life-cycle, distribution methods, quality and types of raw materials, etc.

Production process decisions commence with product analysis that extends to every sub-assembly, raw material or component comprising the final product. The measure aspect that determine the process is technology. Technology considerations by the entrepreneurs are important ones because technology has increased the outputs of industrial and non-industrial sectors. It has improved the quality and reliability of the products, and saved the capital costs. It has not only been a primary source of improving productivity but also created new resources.

## **INSTITUTION FINANCE & ENTREPRENEURSHIP**

### **FINANCE CORPORATION**

Madhya Pradesh Financial Corporation is the premier institution of the state, engaged in providing financial assistance and related services to small to medium sized industries. Also, it is registered as Category-I Merchant Banker with Securities Exchange Board of India and setup a separate merchant banking division in the name of MPFC Capital Markets.

Incorporated in the year 1955, under the State Financial Corporation Act, 1951 (No. LXIII of 1951), it works under the control of the Board of Directors, consisting of representatives from State Government, Small Industries Development Bank of India, Reserve Bank of India, Scheduled Banks, Insurance companies, Co-operative Banks and other shareholders.

MPFC is a well knit organization with its head quarters at Indore – the industrial hub of Madhya Pradesh, and 20 offices at different places.

### **Objectives (long-term and short-term):**



**Long term:**

- i) To create customer friendly environment so as to attract/retain good customers by developing fast track financing schemes to suit their financial requirements.
- ii) To create awareness amongst entrepreneur about latest developments in the SME sector.
- iii) Handholding of SMEs – To establish long lasting relationship.
- iv) To make each Business Development Center (BDC) a profit center and self-reliant.
- v) To work towards eco-environment friendly manner keeping focus on achieving another ISO Certification in this field in the years to come.

**Short term:**

- i) Providing Term Loans to small and Medium Enterprises particularly to first generation entrepreneurs.
- ii) Encouraging development of ancillaries of the Medium Scale and the small Scale enterprises, such as auto components, food-processing, steel and steel products, information and print media, chemicals and fertilizers, etc.
- iii) To provide Term Loan assistance for establishment of green field projects in small and medium sectors in back-ward and rural areas of the State with a view to ensuring balanced regional growth across the length and breadth of the State.
- iv) To spread credit flow in the backward areas and small towns by extending reach of the Coporroration through Business Development Center (BDC).
- v) To diversity the lending risk by laying more emphasis on smaller loans and increasing the number of borrowers.
- vi) To streamline the procedures for quick disposal of loan proposals.

**Specific plans for run by MPFC –**

- 1) National Samta Nidhi
- 2) Composite loan scheme
- 3) Loan for working capital
- 4) To give seed capital to women entrepreneur
- 5) For qualified technocrat entrepreneur seed capital
- 6) Loan only for fixed assets
- 7) Other schemes

**Procedure for loan providing by MPFC –**

Eligibility: MPFC grants assistance to “Industrial Concerns” as defined in clause (c) of section 2 of “State Financial Corporation Act. 1951”, which are located in the state of Madhya Pradesh.

However fee based services can be extended to units located in any part of the country.

As per the provisions of the “State Financial Corporation Act. 1951”, MPFC can grant assistance to only those concerns whose paid-up capital and fee reserves taken together do not exceed Rs. 20.00 crores. This limit is not applicable to non-fund based activities.

**Security: MPFC grants loan against security only.**

The primary security for the loan is usually a first charge on land, building, plant and machinery etc. acquired/proposed to be acquired. In case of loan under consortium arrangements, pari-passu charge is accepted along with the other participation institutions.

Generally MPFC takes collateral security of land and/or building of the borrower or any third party in addition to primary security.

**Promoter’s contribution:**

The minimum promoter’s contribution envisaged in the project is worked out on the basis of Debt-Equity norm and the security margin norm applicable at the time of sanction of the loan. The debt



equity ratio is the ratio of loan component and the equity contribution in the total project cost. The maximum amount of assistance shall be lower of the two amounts worked out on the basis of Debt-equity norm and the security margin norm. The normal lending norm for debt-equity is 1.5:1; however in some specific schemes this norm may be flexible.

**Repayment period:**

The period of repayment of loan is decided on the merits of each case, which generally ranges between 5 to 8 years.

**Scheduled Banks**

Scheduled Banks in India are those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934. RBI in turn includes only those banks in this schedule which satisfy the criteria laid down vide section 42 (6) (a) of the Act.

As on 30<sup>th</sup> June, 1999, there were 300 scheduled banks in India having a total network of 64,918 branches. Scheduled commercial banks in India include State Bank of India and its associates (7), nationalized banks (19), foreign banks (45), private sector banks (32), co-operative banks and regional rural banks.

**The following are the Scheduled Banks in India (Public Sector):**

- State Bank of India
- Allahabad Bank
- Bank of Baroda
- Dena Bank
- Punjab National Bank

**The Following are the Scheduled Banks in India (Private Sector):**

- ING Vysya Bank Ltd.
- AXIS Bank Ltd.
- ICICI Bank Ltd.
- HDFC Bank Ltd.
- IBDI Bank Ltd.

**The following are the Scheduled Foreign Banks in India:**

- American Express Bank Ltd.
- Barclays Bank Plc.
- Deutsche Bank A.G.
- Hongkong and Shanghai Banking Corporation (HSBC)
- Standard Chartered Bank

**Procedure of taking loans from Scheduled Banks:**

- a) Application for loan in a prescribed form. Every bank has its own prescribed form. This form differs on the basis on the basis of quantum of loan desired.
- b) Along with loan application the applicants have to submit following papers also.
  - Temporary registration letter of small scale industry issued by concerned DIC.
  - Copies of lease deed/rent deed & personal biodata of applicant.
  - Approved map of the site/building by competent authority.
  - A short description of construction process & detailed estimate of cost of construction by architect.



- Details of machines & other fixed assets & consent of electric power connection by electric board.
- Consent of water connection by competent authority.
- A copy of allotment letter for land or purchase order inspection report's copy.
- Copy of marketing survey.
- Copy of project, profitability assessment's copy, cash flow, trial balance, profit & loss a/c's copy.
- Assessment order (income tax) property tax for last 3 years.

**Care to be taken by Bank while making payment of loan:**

Bank takes special care while sanctioning loan to any new or established enterprise.

- 1) The capacity of entrepreneur.
- 2) Financial life of the unit.
- 3) Technical/industrial life of the unit.
- 4) Financial capacity of the unit.
- 5) Marketing life of the unit.
- 6) Legal aspects of the unit.

**The place of financed unit** – Normally small scale industries are established in those areas where primary facilities are in abundance.

**Security Fee** – Generally there is no provision to charge any security fee up to Rs. 25000/- advance. For rest of the advances, security fee is charged by the bank.

**Extra Security** – If the loan amount is on the higher side extra security fee can be charged by the banks.

**Guarantee of other people** – Wherever it is needed banks ask for other people's guarantee.

**M.P. WOMEN'S ECONOMIC DEVELOPMENT CORPORATION –**

Introduction & Establishment – In order to improve the status of the ladies in the society, government has introduced many self employment schemes. For this government has established Women Economic Development Corporation. It has been registered on 31/10/1988, under the registrar of Marks & Society Office.

**Capital of Corporation** – MP Govt. has granted 2.56 crores of rupees as share capital WEDC and Central government has sanctioned Rupees 0.98 crores, total Rs. 3.54 crores as capital.

**Objects – Following are the objects of WEDC –**

- To inform women about participation in different economic activities.
- To help them in getting financial help from banks.
- To encourage sale of their product.
- To encourage manufacturing of their product.
- Import/Export.
- Organizing entrepreneurship training programme.

**Schemes operated by MPWEDC –**

- Gramya Yojna.
- Sawshakti Yojna.
- Organizing motherhood fair.



- Mahila photocopier scheme.
- Samarth Yojna.
- Sawyam Sidhay Yojna.

#### **LOCAL MOBILITY OF ENTREPRENEURS**

According to forester Research 29 percent of the global workforce are now “anytime, anywhere information workers” who are three or more devices, while gartnes predicts the project wall out numbers PC founded.

Starting their year, I believe we’ll see a rapid acceleration in the development and are of custom entrepreneur. This trend will be fueled by the following key factors –

1. Off the sheep app wall become commonplace –  
CRM and ERP vendors already offer-off-the shelf mobile apps or standard-soon, sales force automation app will be as common as e-mail on mobile devices.
2. The mobile ecosystem will encourage custom app development –  
In parallel, more companies will develop custom mobile app that are taclored to the specific needs of the any organization, and can integrate with many types of back-end system.

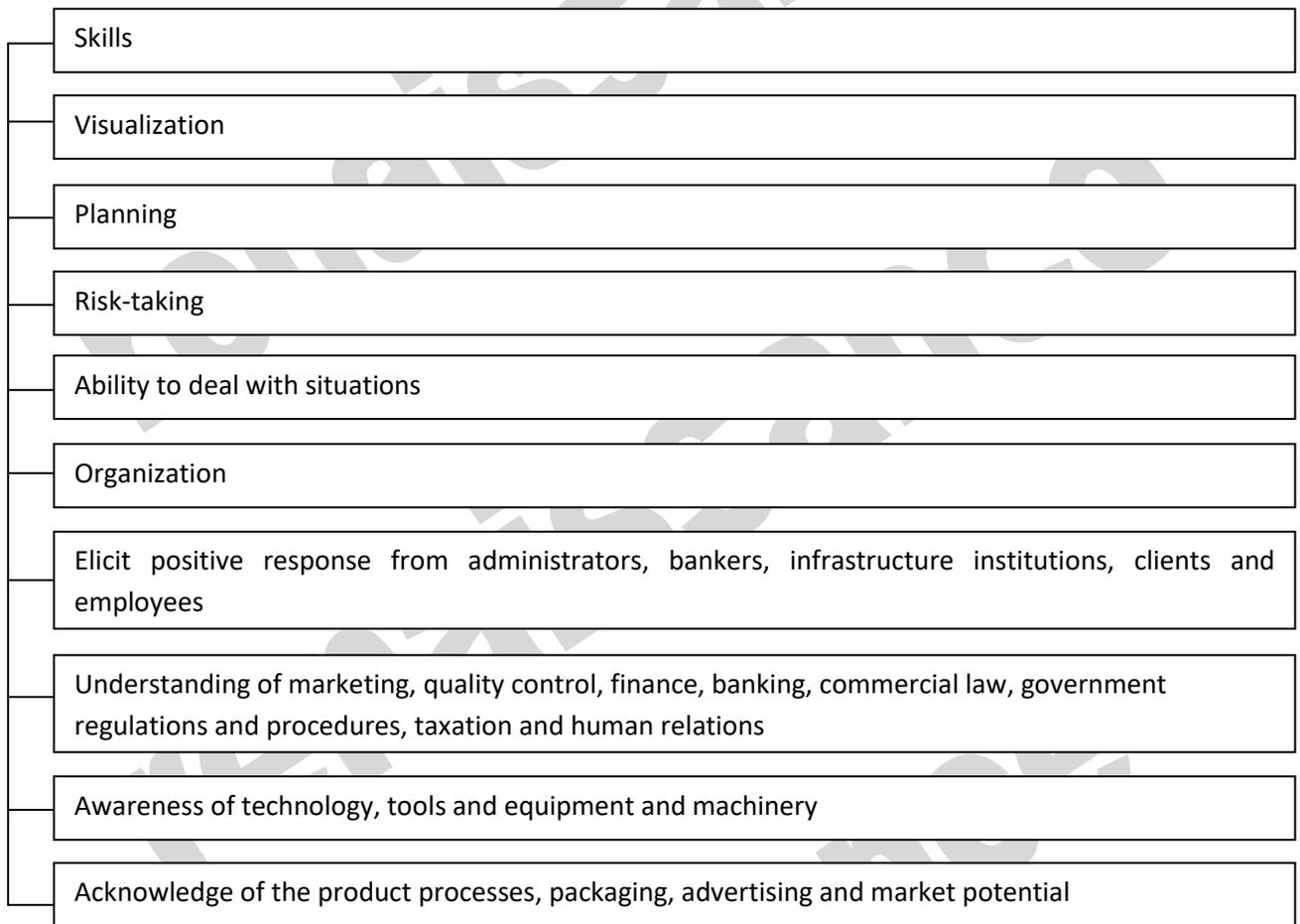


UNIT - III

**ENTREPRENEURIAL SKILLS**

To deal with entrepreneurial skills is to concern oneself with a wide coverage of aspects of setting up an enterprise and its management. It is not confined to visualizations, planning, setting up and risk taking. The skill which an entrepreneur possesses includes his ability to deal with new situations, organizations and social and economic forces as they emerge from time to time. The skills to deal with a situation, fore-visualized or suddenly emerging must be an essential characteristic of an entrepreneur.

The small entrepreneur must have the skill to elicit positive response from administrator, bankers, infrastructure institutions, clients and employees.



The entrepreneur is rarely a master of all management skills, and yet is usually directly responsible for all aspects of business. Often he or she has lobe the general manager, production manager, purchasing manager, personnel manager, controller and research organizer for the business, all rolled into one, at least during its early years. The entrepreneur has; therefore, to have an understanding of marketing, quality control, finance, banking, commercial law, government regulations and procedures, and human relations as each of them has a vital bearing the health of the enterprise.

**NEED FOR SKILLS**

We often talk of transfer of technology. As a matter of fact, the whole world is talking about it. There is hardly any international event at the global and regional level where this subject does not come up for discussion. The poor nations demand technology and resources from industrialized and rich countries and rightly so. The developing countries would rather export semi-finished and finished products



which are value added than export raw materials. The development of entrepreneurial skills must precede transfer of technology if we do not desire to keep such technologies and equipment serving such technologies idle. One has also to realize that technologies are developing very fast and skills also match with this dynamic growth. The entrepreneur has to be made aware of the imperative needs of updated technologies, modern tools and equipments, processes and systems and skills. In this task, his whole organization, however small it may be, has to join the exercise.

It is observed that in least developed countries, sophisticated equipment and machinery imported at heavy cost, often under pressure of international financial institutions or aid agreements, are lying unutilized for want of efficiently trained hands. It is obvious that the accelerated development of human resources and appropriate training of manpower must be concurrent with the transfer of technologies which are relevant to the needs of each developing country. This will call for an inventory of existing manpower, degree of their present skills, arrangements for proper imparting of skills needed. This should have a relation to natural endowment and resources and their optimum utilization.

#### **TYPES OF SKILLS**

Types of skills will vary according to location, products, clientele etc. In the rural areas, a—small enterprise making goods for local consumption based on local raw materials would need relatively simpler skills. In urban areas, the product, processes, packaging and advertising have to match with the growing sophistication of consumer goods, preference of needs etc. They call for an intensification of efforts to develop matched skills in all areas of entrepreneurial activity.

#### ***Skills for New Class of Entrepreneurs***

As stated earlier, entrepreneurship till recently in most of the developing countries has been confined to persons coming from the traditionally trade-oriented families. Now there is emphasis on a new class of entrepreneurs. These would include women, tribal's and young men from non-traditional families. For women entrepreneurs, special training facilities have to be provided to the special difficulties faced by them as compared to men. For tribal entrepreneurs, care will have to be taken that their basic culture, crafts and skills are not materially affected and lost following the emergence of competitive entrepreneurship.



## Unit - IV

### ENTREPRENEURIAL DEVELOPMENT PROGRAMMES

#### INTRODUCTION OF ENTREPRENEURIAL DEVELOPMENT PROGRAMMES

Entrepreneurial or Entrepreneurship Development Programmes (EDPs) may be defined as an action plan to create an entrepreneur with achievement motivation, who can develop business, can take strategic decisions, can cope successfully with the internal and external environment and can bear the risk of investment. It is an entrepreneurial training programme.

The EDPs embrace all aspects of business creation, risk-taking, management and the initiative for the socio-economic development and creation of a business culture among the community. These programmes focus to create entrepreneurial qualities among people who will be able to develop business activities, i.e., set up new business and will be ready or willing to bear the risk involved therein. The emphasis is more on the financial and business viability of the project that can create employment opportunities. However, in low income subsistence level communities, the EDPs focus to create self employment and alleviate (reduce) poverty.

EDP generation motivates and develops entrepreneurial competencies among the young prospective entrepreneurs.

#### Role and Relevance of EDPs

In Chapter 2 we have discussed the Trait Theory of Entrepreneurship. This theory holds that highly successful entrepreneurs possess certain characteristic traits which have been found common in majority of them. For example, successful entrepreneurs possess these traits: self-confidence, achievement motivation, desire to be independent, risk taking, ability to foresee future, perseverance, energy, creativity and innovation, versatile knowledge, initiative taking and so forth. It is usually supposed that people do not always possess these traits by birth. In other words, all entrepreneurs are not "born" with innate (internal) characteristics that prepare them for the troublesome life of new venture creation. There is substantial evidence that entrepreneurial characteristics may be environmentally based and therefore can be taught through training and development programmes. If the environmental theme has credence (reliable or trustworthy), then learning about the entrepreneurial process will better prepare students and other people to succeed in business. However, there are some persons who conclude that entrepreneurship cannot be taught. Anyhow, such persons are not correct in their conclusion.

Entrepreneurship Development Institute of India (EN) took up a research project with the help of David McClelland in three countries—India, Malawi and Equator. The findings concluded in the identification of a set of entrepreneurial competencies or characteristics that lead to superior performance. A major finding was that the said competencies are cross culturally valid (i.e. apply irrespective of cultures.) In other words, in order to perform well as an entrepreneur, it is necessary to possess these competencies in varying measures irrespective of the geographical location, where the entrepreneur is operating.

Hence, it is well accepted that the entrepreneurial traits or characteristics or competencies can be induced and developed in people to make them successful entrepreneurs.

EDPs have a great role and relevance in increasing the supply of new entrepreneurs to accelerate the process of industrialization. It is widely accepted that persons interested to become entrepreneurs will be greatly helped if appropriate training and development programmes are made available to them.

#### Basic Features of EDPs

The significant features of EDPs may be discussed as follows:

1. Selection of entrepreneurs: EDPs identify and carefully select persons for entrepreneurial training.
2. Entrepreneur capabilities: EDPs develop the required entrepreneurial capabilities of the trainees for making them successful prospective entrepreneurs.
3. Managerial skills: EDPs equip the trainees with basic managerial understanding and skills—conceptual, analytical, human, administrative and technical skills.
4. Viable project: EDPs ensure to offer a viable industrial project for each potential entrepreneur.



5. Resource mobilization: EDPs help each trainee to secure necessary financial, infrastructure and related assistance for making the selected project a success
6. Low charges: The training cost is highly subsidized and only a token fee is charged.

### **Objectives of EDPs**

The important objectives of EDPs may be described as follows:

1. To let the entrepreneur set or reset the objection of his business enterprise and work individually and with his team for the accomplishment of such objectives.
2. To prepare the entrepreneur to hear the unexpected business risks for a long time after training.
3. To develop a broad vision and provide visionary leadership to his enterprise—to see the "big picture" (whole) of the business and to foresee the future and establish a "fit" between the two.
4. To make entrepreneurs subscribe to industrial democracy and employee welfare.
5. To instill in his mind the values like integrity, honesty and legal-compliance.
6. To enable the entrepreneur to build an effective organization to achieve enterprise goals.
7. To develop and strengthen among the young person's the entrepreneurial competencies or characteristics, especially achievement motivation, hard work, perseverance and optimistic thinking.
8. To select and develop the product or service to cater to the needs and requirements of a particular market segment.
9. To make the entrepreneur analysis the relevant business environment and understand the procedures and laws involved in establishing small scale enterprises.
10. To teach the entrepreneurs about the sources of financial and managerial assistance and help available for small scale business units.
11. To coach the entrepreneurs, about entrepreneurial behavior and discipline, and about the vicissitudes (fluctuation of fortune) in business line and prepare them to withstand them hopefully.

### **Curriculum of EDPs and its Contents**

The curriculum (course of study) and its contents for EDPs are decided keeping in mind the objectives of a particular EDP. However, typically the training programme is designed to continue for a six week's duration. Generally, it contains the following inputs or contents:

#### **1. Introductory Session**

At the initial stage, the trainee participants are made aware about the general knowledge of the entrepreneurship, its various dimensions, its significance or role in economic development, entrepreneurial behavior and competencies, concepts of achievement motivation and risk-bearing; the small scale industries: their nature, factors affecting them, special facilities available to SSIs, their role and relevance in the economy of a country; and evaluation of self.

#### **2. Motivation training session**

During this period of time, the EDP aims at generating the 'need for achievement' and then developing it among the participants. This is a crucial content of the EDP training course. The participants are coached into developing positive attitude, optimism, confidence, courage and sense of flexibility is their thought to be a successful entrepreneur. This session is devoted to ultimately make the participants start their new business ventures after completing their training programme. At this session, usually some successful entrepreneurs are invited to address the participant about their success stories and the real competency required is practical entrepreneurial life.

#### **3. Skills development session**

During this session the trainers are to explain about the various entrepreneurial skills and how to develop them in oneself. The set of skills usually comprises the sectors or areas of



knowledge that are necessary to help to person to become an effective self-employed trades person or entrepreneur. These skills include:

- a. **Basis trade or career or occupational skills** : Theory, training and practice of a boric skill (e.g., welding) or a set of basic skills (e.g., fabrication of items such as steel cupboards) seems most effective when the student has the opportunity to practice the skills in situations as close to real world experiences as possible. In developing basic trade skills, the students combine theoretical and practical training in on-the-job training.
  - b. **Basic business routine skills**: Prospective entrepreneurs require certain basic business routine skills such as maintenance of records, dealing with customers, etc. relevant to the particular business or trade.
  - c. **Management/marketing skills**: The success of any small business enterprise largely depends on management and marketing skills of the entrepreneur. These skills cover a wide variety of function such as planning, production/delivery of product/ service, decision making, human relations, communication, finance, sales and marketing. Such skills are most effectively developed in the participants when they have the opportunity to apply theoretical concepts to real world situations. These skills become all the more important because a small entrepreneur cannot employ managers or management experts to manage his business enterprise.
  - d. **How-to-start skills**: Knowledge of what is involved in actually starting up a venture and the development of a business plan are essential skills for starting a business. These skills will be meaningful and most effective when the participants are ready to start a venture. Often, full development of a business plan is most effective after a person has started a business. The EDP caters to developing an effective business plan after the entrepreneur entered a business unprepared.
- 4. Support system and procedure session**  
In this session, the participants are exposed to the support available from different institutions and agencies for setting up running small scale enterprises. After such exposure, they are made acquainted with procedure for approaching these institutions, applying for the relevant support or finances and obtaining the requested support or finances.
- 5. Fundamentals of project feasibility study session**  
During this session, guidelines are provided to the participants on the effective analysis of feasibility or viability of the particular project in view of marketing, technical organizational, financial and social aspects. They are also trained in the knowledge of how to prepare the Project or Feasibility Report for certain products.
- 6. Plant visits session**  
During this period of time, the participants are taken on plant visits in order to familiarize them with the real life situations in small business. Such visits provide participants the knowledge and understanding about an entrepreneur's behavior, discipline, personality, thoughts and aspirations. They leave an impact on the minds of the visitor participants to behave accordingly while running their own ventures in future and make them a success.  
In sum, the ultimate aim of the EDPs is to make the trainees proposed to set their own business ventures after the completion of the training programme. If most of the participants establish their own enterprise after setting the training, the EDP is thought to be a successful activity.

#### PROBLEMS AND CONSTRAINTS OF EDPs

The current state of EDPs as a factor contributing to the economic development of the rural and backward areas needs a proper direction and organization in order to make it more purposeful and effective. It has been noted that the contribution of EDPs is very uneven among different regions.



Hence specific programmes are required to be designed for bringing about some degree of uniformity and up gradation. Some of the issues that need attention are:

- (i) the structure and composition of EDPs,
- (ii) areas of operations,
- (iii) fixing priorities,
- (iv) follow-up,
- (v) spatial dispersal of EDPs,
- (vi) training of trainees,
- (vii) financing pattern.

Apart from these issues, there are many operational problems of EDPs at the levels of both the trainees and the trainer, the ED organizations, the supporting organization, and the state governments, which may be enlisted as follows –

1. *Drawbacks in relation to supporting agencies/ organizations*
2. *Lack of trainer competence*
3. *Wrong trainees*
4. *Poor management*
5. *Deficient training methodology*
6. *No standards curriculum*

### **ROLE OF GOVERNMENT IN ORGANIZING EDPs**

The Government has an important role in organizing EDPs and making them a success for developing entrepreneurs to set up large numbers of enterprises for accelerated industrialization. There are several government organizations and centers which are engaged in conducting mainly the EDPs in India. The lead in this field was given by Small Industries Development Organization through its Small Industries Service Institutes. The National Institute for Entrepreneurship and Small Business Development has been set up by the Government of India to carry out such functions as would further accelerate the training in entrepreneurship. Other than institutions meant exclusively for conducting EDPs, the State Financial Corporations, leading commercial banks, Voluntary Service Organizations and District Industries Centers are also conducting EDPs.

Apart from providing training, various institutions have been established to provide finance to the entrepreneurs under different attractive schemes. Moreover, several special institutions are operating in the country to help entrepreneurs in selecting viable projects, preparing project reports to be submitted to financial institutions. Some of them are engaged in developing industrial estates where all necessary infrastructural facilities like sheds, communication, water, power, transport, etc., are provided to entrepreneurs. Some of these institutions take up responsibility of supplying required raw materials to the entrepreneurs at reasonable rate.

Various government organizations have been engaged in rural entrepreneurship development. However, it has been found that they are inadequate keeping in mind the size of rural India.

### **ORGANIZATIONS PROVIDING EDP IN INDIA**

In India, there are many organizations which are providing training in developing potential businessman. Important ones are as follows:

#### **1. National Institute for Entrepreneurship and Small Business Development (NTESBUD)**

- Established by Government of India in 1983.
- An apex body for coordination and supervision on activities of various institutes engaged in entrepreneurial development.
- Helps in evolution of EDP, model syllabi, effective training strategies, methodology, manuals and tools.
- Activities undertaken :
  - a. Organize and conduct training programmes
  - b. Coordinate training activities of various agencies/institutes
  - c. Provide affiliations to such institutes
  - d. Hold examinations and confer certificates to trainers and trainees IL



- 2. Small Industries Development Organization (SIDO)**
  - Runs EDP in collaboration with financial institutes
  - Provides on-the-job training on shop floor (carpentry, electrical devices)
  - Sends its officials/trainers to organization to update their knowledge.
- 3. National Small Industries Corporation (NSIC)**
  - Provides apprenticeship for 2 years
  - Training to set up own venture
  - Training to engineers up to 2 years
  - Training to supervisory staff up to 2 years
  - Training to workmen for 12 months
- 4. Small Industries Service Institute (SISI)**
  - Three months' part time evening courses in management
  - 4 to 6 weeks part time courses in intensive training functional areas (marketing, finance)
  - Special courses in quality control, HR, production planning, product development, etc.
  - Mobile workshops imparting training on correct usage of tools and equipment.
  - Helps in preparation of plant layout.
  - Helps individual firms on specific problems faced.
- 5. Entrepreneurship Development Institute of India (EDII)**
  - Focused attention on women entrepreneurs with first such EDP in 1988
  - Famous for organizing camps on entrepreneurship
  - Develops programmes for entrepreneurial training and development
  - Develops innovative training techniques for trainers.
  - EDP for rural entrepreneurship development in U. P. and Odisha.
  - election of potential entrepreneurship and motivating them to start their own business ventures
  - Providing practical training in industries
  - Founded by Gujarat Government and Public Financial Institutions
- 6. National Alliance of Young Entrepreneurs (NAYE)**
  - Contribution in encouraging women entrepreneurship
  - Set up Women's Wing in 1975
  - This Wing assists women in :
    - Identify investment opportunities
    - Getting better access to resources, infrastructure, markets
    - Attending to problems of individual industries
    - Sponsor participation in trade fairs, exhibitions, conferences
    - Organize seminars, training programme, workshops
- 7. Indian Investment Centre (IIC)**
  - Founded by Government of India
  - To facilitate entrepreneurial activities between Indian and foreign investors
  - To prompt the foreign investors to invest in India which in turn increases globalization
- 8. Technical Consultancy Organization (TCO)**
  - To provide technical training to potential entrepreneurs
  - To identify the industry and check its feasibility and generate report.
  - Then, to select the participants and provide them individual training.
  - To assist such trained individuals in the completion of the project



UNIT-V

ENTREPRENEURSHIP BEFORE INDEPENDENCE AND ENTREPRENEURIAL GROWTH AFTER INDEPENDENCE UNDER PLANNING SYSTEM

ENTREPRENEURSHIP IN INDIA BEFORE AND AFTER INDEPENDENCE

GROWTH OF ENTREPRENEURSHIP IN INDIA

The proper understanding of the growth of entrepreneurship of any country would evolve within the context of the economic history of the particular country becomes the subject matter of this section. The growth of entrepreneurship in India is, therefore, presented into two sections viz.

- Entrepreneurship during Pre-Independence
- Entrepreneurship during Post-Independence

ENTREPRENEURSHIP DURING PRE-INDEPENDENCE

- The evolution of the Indian entrepreneurship can be traced back to even as early as Rigveda, when metal handicrafts existed in the society.
- This would bring the point home that handicrafts entrepreneurship in India was as old as the human civilization itself, and was nurtured by the craftsman as a part of their duty towards the society.
- Before India came into contact with west, people were organized in a particular type of economic and social system of the village community. Then, the village community featured the economic scene in India.
- The elaborated cast based diversion of workers consisted of rimers, artisans and religious priests. The majority of the artisans were treated as village servants. Such compact system of village community effectively protecting village artisans from the onslaughts of external competition was one of the important contributing factors to the absence of localization of industry in ancient India.
- Evidently, organized industrial activity was observable among the India artisans in a few recognizable products in the cities of Banaras, Allababad, Gaya, Puri & Mirzapur which were established on their river basins.
- Workshops called '*Kharkhanas*' came into existence. The craftsmen were brought into an association pronounced as 'guild system'. Unfortunately, so much prestigious Indian handicraft industry, which was basically a cottage and small sector, declined at the end of the 18th century for various reasons.

These may be listed as

- 1) Disappearance of the Indian royal courts who patronized the crafts earlier.
  - 2) The lukewarm attitude of the British colonial govt. towards the Indian crafts.
  - 3) Imposition of heavy duties on the imports of the Indian goods in England.
  - 4) Low priced British made goods produce on large scale which reduced the competing capacity of the product of the Indian handicrafts.
  - 5) Development of transport in Indian Meditating the easy access of British product even to far-flung remote part of the country.
  - 6) Changes in the tastes and habits of the Indian, developing craziness of foreign products.
  - 7) Unwillingness of the Indian craftsmen to adapt to the changing tastes and needs of the people.
- Some scholars hold the view that manufacturing entrepreneurship in India emerged as the latent and manifest consequence of east India company advent in India.



- The company injected various changes in the Indian economy through export of raw materials and import of finished goods in India.
- Particularly, the Parsis established good rapport with the company and were much influenced by the company's commercial operations.
- The company established its first ship building industry in Surat where from 1673 onwards the Parsis built vessels for the company. The most important was shipwright Lowjee Nushirvan, who migrated to Bombay around 1935.
- The actual emergence of manufacturing entrepreneurship can be noticed in the second half of the 19th century. Prior to 1850. Some stay failure attempts were, indeed, made by the Europeans to setup factories in India. In the beginning, the Parsis were the thunder manufacturing entrepreneurs in India.
- The Swadeshi campaign, i.e., emphasis on indigenous goods, provided, indeed, a proper seedbed for inculcating and developing nationalism in the country. It was the influence of Swadeshi that Jamshedji Tata even named his first mill 'Swadeshi Mill'. The spirit of indigenouness strengthened its roots so much in the country that the Krishna Mills In its advertisement of Tribune of April A made the following appeal. "Our concern is financed by native capital and is under native management throughout".
- The second wave of entrepreneurial growth in India began after the First World War. For various reasons, the Indian Government agreed to 'discriminating' protection to certain industries, even requiring that companies receiving its benefits should be registered in India with rupee capital and have a proportion of their directors as Indians.
- The advantages of these measures were mostly enjoyed by the Indians. The Europeans failed to harness the protectionist policies to their interests." These measures helped in establishing and extending the factory manufacturing in India during the first four decades of the twentieth century

### Reasons for slow growth of entrepreneurship in During British period in India

1. **Not given proper protection:** The enterprises were not given proper protection by British Government.
2. **Discotrugement by British Government:** Only those industries in which the British Government put their on c were given encouragement
3. **High railway freight charges:** The railway freight charges were higher for locations not nearer to the ports This pray that the transportation of the goods manufactured for the Indian markets were more expensive than goods meant for exports.
4. **Exorbitant tariffs:** The British imposed exorbitant tariffs on India made goods.
5. **Constantly harassed for getting licenses:** Entrepreneurs were constantly harassed for getting licenses and finance to established and nut industries.
6. **No facilities for technical education:** there were almost any facilities for technical education which alone could strength Indian industrial entrepreneurship
7. **Entrepreneurs faced fierce competition from abroad:** The Indian indigenous entrepreneurs faced fairs competition from machine made goods exported to India from abroad.
8. **Lack of transportation and communication facilities:** Lack of transportation and communication facilities acted as the stumbling blot in the way of industrial growth.
9. **Not encouraged the establishment of heavy industries:** The British Government did not encourage the establishment of heavy industries like heavy machinery, iron and steel which are necessary for rapid industrialization.
10. **Political turmoil:** Political turmoil and abolition of princely courts discouraged the growth of entrepreneurship.
11. **Multi-currency system:** Prevalence of multi currency system affected the business env imnment and blocked the growth. In spite of the above problems. the export trade or textile in



17th century was on an ascending trend. During this period, grouping of Indian merchants into joint stock associations for the purpose of managing the supply of textiles to European companies was very significant. This helped in exporting huge volume of textiles to the European markets leading to favorable terms of trade.

### **PARTITION OF UNDIVIDED INDIA ON 15th AUGUST 1947**

Before we skip our review of entrepreneurial growth to the post-Independence era, it will be in the fitness of the things to shed some light on effects of partition on India's industrial economy so as to depict Independent India's industrial background.

Following are some major effects of partition on 15th August 1947 on the Indian industrial economy:-

**Demographic Effects:** 77% of area & 82% of population get remain in India whereas 23% of area & 18% of population converted into Pakistan.

**Industrial Activity:** 90% of total industrial establishment with 93% of industrial workers (Jute, Iron & Steel and Paper industries) in India whereas 10% of total industrial establishments with 7% of industrial workers (Cotton textile, sugar, cement, glass and chemical industries) in Pakistan.

**Mineral and Natural Resources:** 97% of total value of minerals in India in which major deposits of coal, mica, manganese, iron, etc. whereas 3% of total value of minerals with major deposits of Gypsum, rock salt, etc. in Pakistan. Manpower and Manager India was at loss whereas Muslims possessed these skills who migrated to Pakistan.

**Transport Facilities:** 83% of total route mileage in India whereas 07% of total road mileage in Pakistan.

**Make Ports:** India lost major ports which adversely affects India's exports. (Source: Entrepreneurial Development by X.S. Amigo)

### **ENTREPRENEURSHIP DURING POST- INDEPENDENCE**

After taking a keystone sign of political relief in 1947, the Government of India tried to spell out the priorities to devise a scheme for achieving balanced growth. For this purpose, the Government came forward with the first Industrial Policy, 1948 which was revised from time to time." The Government in her various industrial policy statements identified the responsibility of the State to promote, assist and develop industries in the national interest. It also explicitly recognized the vital role of the private sector in accelerating industrial development and, for this, enough field was reserved for the private sector.

#### **The Government took three important measures in her industrial resolutions:-**

- I. To maintain a proper distribution of economic power between private and public Sector.
- II. To encourage the tempo of industrialization by spreading entrepreneurship from the existing centers to other cities, towns and villages, and
- III. To disseminate the entrepreneurship acumen concentrated in a few dominant a large number of industrially potential people of varied social strata.
  - To achieve these adumbrated objectives, the Government accorded emphasis on the development of small-scale industries in the country
  - Particularly since the Third Five Year Plan, the Government started to provide various incentives and concessions in the form of capital, technical know-how, markets and land to the potential entrepreneurs to establish industries in the industrially potential areas to remove the regional imbalances in development.
  - This was, indeed, a major step taken by the Government to initiate interested people of varied social strata to enter the small-scale manufacturing field.
  - Several institutions like Directorate of Industries, Financial Corporations, Small-Scale Industries Corporations and Small Industries Service Institute were also established by the



Government to facilitate the new entrepreneurs in setting up their enterprises. Expectedly, the small-scale units emerged very rapidly in India witnessing a tremendous increase in their number from 121,619 in 1966 to 190,727 in 1970 registering an increase of 17000 units per year during the period under reference.

- The recapitulation of review of literature regarding entrepreneurial growth in India, thus, leads us to conclude that prior to 1850, the manufacturing entrepreneurship was negligible lying dormant in artisans. The artisan entrepreneurship could not develop mainly due to inadequate infrastructure and lukewarm attitude of the colonial political structure to the entrepreneurial function.
- The East India Company, the Managing Agency Houses and various socio-political movements like *Swadeshi* campaign provided, one way or the other, proper seedbed for the emergence of the manufacturing entrepreneurship from 1850 onwards.
- The wave of entrepreneurial growth gained sufficient momentum after the Second World War. Since then the entrepreneurs have increased rapidly in numbers in the country
- Particularly, since the Third Five Year Plan, small entrepreneurs have experienced tremendous increase in their numbers. But, they lacked entrepreneurial ability, however. the fact remains that even the small entrepreneurship continued to be dominated by business communities though at some places new groups of entrepreneurs too emerged. The family entrepreneurship units like Tata, Birla, Mafatlal, Dalmia, Kirloskar and others grew beyond might normally expected size and also established new frontiers in business in this period. Notwithstanding, all this happened without the diversification of the entrepreneurial base so far as its socio-economic ramification is concerned.

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