

# ENTREPRENEURSHIP AN INTRODUCTION

Dr. C. Subathra



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# **ENTREPRENEURSHIP - AN INTRODUCTION**

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**Published by  
Mayas Publication®**

#45/5, Unathur&Post.Attur Tk.,Salem Dt.,

Tamil Nadu, India-636112.

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**Book Name : Entrepreneurship - An Introduction**

**Editors : Dr. C. SUBATHRA**

**Copyright : Mayas Publication**

**First Edition: September-2018**

**Pages : 1-126**

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**ISBN: 978-93-87756-38-0**



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## QUESTION PAPER PATTERN

1 x 10 = 10 Marks (Objective Type Questions)

5 x 6 = 30 Marks (Descriptive Type with Internal options)

5 x 12 = 60 Marks (Descriptive Type with Internal options)

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Total = 100 Marks

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***UNIT 1***  
***MEANING – DEFINITIONS –***  
***DEVELOPMENT – FUNCTIONS –***  
***IMPORTANCE – BARRIERS – TYPES –***  
***NATURE AND IMPORTANCE OF***  
***ENTREPRENEURSHIP***

**ENTREPRENEUR**

A person who organizes and operates a business venture and assumes much of the associated risk. An Entrepreneur is someone who organizes, manages, and assumes the risks of a business or enterprise. An entrepreneur is an agent of change. Also, entrepreneurs are individuals who recognize opportunities where others see chaos or confusion.

Entrepreneurs are innovators, willing to take risks and generate new ideas to create unique and potentially profitable solutions to modern-day problems. This innovation may result in new organizations or revitalize mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is starting a new business (referred as a startup company). In recent years, the term has been extended to include social and political forms of entrepreneurial activity, which are often referred to as social entrepreneurship.

Entrepreneurial activities differ substantially depending on the type of organization and creativity involved. Entrepreneurship ranges in scale from solo projects (that can even involve the entrepreneur working only part-time) to major undertakings that create many job opportunities. Many high-value entrepreneurial ventures seek venture capital or angel funding (seed money) to raise capital for building the business.

## ORIGINATION

The word “entrepreneur” originates from a thirteenth-century French verb, *entreprendre*, meaning “to do something” or “to undertake.” by the sixteenth century, the noun form, *entrepreneur*, was being used to refer to someone who undertakes a business venture. The first academic use of the word by an economist was likely in 1730 by Richard Cantillon, who identified the willingness to bear the personal financial risk of a business venture as the defining characteristic of an entrepreneur. In the early 1800s, economists **JEAN-BAPTISTE SAY** and **JOHN STUART MILL** further popularized the academic usage of the word “entrepreneur.”

## WHO IS AN ENTREPRENEUR

- ) He is a person who develops and owns his own enterprise
- ) He is a moderate risk taker and works under uncertainty for achieving the goal.
- ) He is innovative
- ) He pursues the deviant pursuits
- ) Reflects strong urge to be independent.
- ) Persistently tries to do something better.
- ) Dissatisfied with routine activities.
- ) Prepared to withstand the hard life.
- ) Determined but patient
- ) Exhibits sense of leadership
- ) Also exhibits sense of competitiveness
- ) Takes personal responsibility
- ) Oriented towards the future.
- ) Tends to persist in the face of adversity
- ) Convert a situation into opportunity.

The characteristics of a unique entrepreneur are: - Need for achievement - High need for power - Independence - Propensity to take risk - Personal modernity - Support - Business enterprise - Leadership

## **ENTREPRENEURSHIP**

Entrepreneurship is the art or science of innovation and risk-taking for profit in business. It is the process of discovering new ways of combining resources. Entrepreneurship is the act and art of being an entrepreneur or one who undertakes innovations or introducing new things. These new things can be any of the start-ups. The most obvious form of entrepreneurship is of starting new business (any).

### **DEFINITIONS OF ENTREPRENEURSHIP**

Entrepreneurship, according to **Onuoha (2007)**, “is the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities.”

**Schumpeter (1965)** defined “entrepreneurs as individuals who exploit market opportunity through technical and/or organizational innovation”.

**For Frank H. Knight (1921) and Peter Drucker (1970)** “entrepreneurship is about taking risk”.

**Bolton and Thompson (2000)** have defined an entrepreneur as “a person who habitually creates and innovates to build something of recognized value around perceived opportunities”.

**Hisrich (1990)** defined that an entrepreneur is characterized as “someone who demonstrates initiative and creative thinking, is able to organize social and economic mechanisms to turn resources and situations to practical account, and accepts risk and failure”.

### **BENEFITS OF BEING AN ENTREPRENEUR**

- ) First of all, being an entrepreneur one learn basic skills like
  - time management, creativity enhancement, passion, strategy planning, etc.
- ) Helps developing strong technology skills or expertise in a key area.

- ) Helps develop the ability to keep going in the face of hardship.
- ) By studying Entrepreneurship and Innovation in college one can understand and adapt change, because change is at the very core of Entrepreneurship.
- ) It helps developing the ability to think and then do **big**.
- ) Entrepreneur can do what he enjoys.

### **ENTREPRENEURSHIP DEVELOPMENT**

There are so many institutes and organizations which are involved in entrepreneurship development activities and there are people who join these programmes as a stepping stone to become entrepreneur. It is a known fact that so many management institutes are coming up to cater to the growing need of industries by supplying traditional managers/corporate managers.

Entrepreneurship as a topic for discussion and analysis was introduced by the economists of the eighteenth century, and it continued to attract the interest of economists in the nineteenth century. In the twentieth century, the word became synonymous or at least closely linked with free enterprise and capitalism. Also, it was generally recognized that entrepreneurs serve as agents of change; provide creative, innovative ideas for business enterprises; and help businesses grow and become profitable. Whatever the specific activity they engage in, entrepreneurs in the twenty-first century are considered the heroes of free enterprise. Many of them have used innovation and creativity to build multimillion-dollar enterprises from fledgling businesses-some in less than a decade. These individuals have created new products and services and have assumed the risks associated with these ventures. Many people now regard entrepreneurship as "pioneership" on the frontier of business.

### **FUNCTIONS OF ENTREPRENEUR**

Entrepreneurs functions are broadly classified into/our categories as mentioned below:

- ) Entrepreneurial Functions



- ) Managerial Functions
- ) Promotional Functions
- ) Commercial Functions

### **Entrepreneurial Functions**

The major entrepreneurial functions include risk bearing, organizing, and innovation. **The important functions performed by an entrepreneur are listed below:**

#### ✓ **Innovation**

An entrepreneur is basically an innovator who tries to develop new technology, products, markets, etc. Innovation may involve doing new things or doing existing things differently. An entrepreneur uses his creative faculties to do new things and exploit opportunities in the market. He does not believe in status quo and is always in search of change.

#### ✓ **Assumption of Risk**

An entrepreneur, by definition, is risk taker and not risk shirker. He is always prepared for assuming losses that may arise on account of new ideas and projects undertaken by him. This willingness to take risks allows an entrepreneur to take initiatives in doing new things and marching ahead in his efforts.

#### ✓ **Research**

An entrepreneur is a practical dreamer and does a lot of ground-work before taking a leap in his ventures. In other words, an entrepreneur finalizes an idea only after considering a variety of options, analyzing their strengths and weaknesses by applying analytical techniques, testing their applicability, supplementing them with empirical findings, and then choosing the best alternative. It is then that he applies his ideas in practice. The selection of an idea, thus, involves the application of research methodology by an entrepreneur.

#### ✓ **Development of Management Skills**

The work of an entrepreneur involves the use of managerial skills which he develops while planning, organizing, staffing, directing, controlling and coordinating the activities of business. His

managerial skills get further strengthened when he engages himself in establishing equilibrium between his organization and its environment.

However, when the size of business grows considerably, an entrepreneur can employ professional managers for the effective management of business operations.

✓ **Overcoming Resistance to Change**

New innovations are generally opposed by people because it makes them change their existing behavior patterns. An entrepreneur always first tries new ideas at his level.

It is only after the successful implementation of these ideas that an entrepreneur makes these ideas available to others for their benefit. In this manner, an entrepreneur paves the way for the acceptance of his ideas by others. This is a reflection of his will power, enthusiasm and energy which helps him in overcoming the society's resistance to change.

✓ **Catalyst of Economic Development**

An entrepreneur plays an important role in accelerating the pace of economic development of a country by discovering new uses of available resources and maximizing their utilization.

To better appreciate the concept of an entrepreneur, it is desirable to distinguish him from an entrepreneur and promoter. Table 4.1 outlines the distinction between an entrepreneur and entrepreneurs, and Table 4.2 portrays basic points of distinction between an entrepreneur and promoter.

**Managerial Functions**

In simple words, management is getting things working with and through others. Different experts have defined term management differently. According to Henri Fayol (1949) who is considered the father of 'principles of management,' "management is to forecast, to plan, to organize, to command, to co-ordinate, and to control."

In the opinion of George Terry (1953), "management is a distinct process consisting of planning, organizing, actuating, and

controlling performance to determine and accomplish the objectives by the use of people and resources.”

The significance of management function lies in the fact that enterprises with excellent facilities and quality resources have floundered and fizzled out due to either no management or poor management and enterprises with good management but with poor facilities and resources have flourished and performed exceedingly well. In small-scale enterprises, the entrepreneur who is the owner of the enterprise also, has to perform the management functions as well.

**The management functions performed by entrepreneur are classified into the following five types:**

- ) Planning
- ) Organizing
- ) Staffing
- ) Directing
- ) Controlling

### ) **Planning**

In common parlance, planning is pre-determined course of action to accomplish the set objectives. In other words, planning is today's projection for tomorrow's activity. Planning pervades in all aspects of business. An entrepreneur has to make decisions as to what is to be done, how it is to be done, when it is to be done, where it is to be done, by whom it is to be done and so on.

The importance of planning lies in the fact that it ensures the smooth and effective completion and running of a business enterprise. Absence of planning causes confusion which, in turn, affects the smooth performance of job whatsoever it may be.

**The following example beautifully demonstrates it:**

This is a story about four people named Everybody, Somebody, Anybody and Nobody. There was an important job to be done. Everybody was sure that somebody would do it. Anybody could

have done it, but nobody did it. Somebody got angry about that because it was Everybody's job. Everybody thought anybody could do it, but nobody realized that everybody would not do it. It ended up that everybody blamed somebody when nobody did what anybody could have done.

### ) **Organizing**

The organizing function of an entrepreneur refers to bringing together the men, material, machine, money, etc. to execute the plans. The entrepreneur assembles and organizes the above mentioned different organs of an enterprise in such a way that these combinedly start functioning as one, i.e., enterprise. Thus, organizing function of an entrepreneur ultimately provides a mechanism for purposive, integrated and co-operative action by many people in a joint and organized effort to implement a business plan.

### ) **Staffing**

Staffing involves human resource planning and human resource management. Thus, staffing function of an entrepreneur includes preparing inventory of personnel available, requirement of personnel, sources of manpower recruitment, their selection, remuneration, training and development and periodic appraisal of personnel working in the enterprise.

Business history is replete with evidences that it is basically the staff, i.e., personnel working in the organization that makes all the difference. While appreciating the role of personnel in the success of an organization, L. F. Urwick had remarked that, "business houses are made or broken in the long-run not by markets or capital, patents or equipments, but by men."

Andrew Carnegie's view that "Take my people and leave my factory, soon grass will grow on the floor. Take my factory and leave my people, soon we shall build a better factory" also underlines the significance of people or staffing in the making of an organization. However, staffing function is as crucial for the success of a business enterprise is equally complex as well.

) **Directing**

The functions like planning, organizing, and staffing are merely preparations for setting up a business enterprise. The directing function of entrepreneur actually starts the setting up of enterprise. Under the directing function, the entrepreneur guides, counsels, teaches, stimulates and activates his/ her employees to work efficiently to accomplish the set objectives.

Thus, directing function of entrepreneur concerns the total manner in which an entrepreneur influences the actions of his / her employees/ workers. It is the final action of an entrepreneur in making his / her employees actually act after all preparations have been completed.

) **Controlling**

Controlling is the last management function performed by the entrepreneur. In simple words, controlling means to see whether the activities have been performed in conformity with the plans or not. Thus, controlling is comparison of actual performance with the target or standard performance and identification of variation between the two, if any, and taking corrective measures so that the target is accomplished.

**Promotional Functions**

Following are the promotional functions of an Entrepreneur

✓ **Identification and Selection of Business Idea**

Every intending entrepreneur wants to start the most profitable and rewarding project. The selection of the most suitable business project involves a process. The intending entrepreneur, based on his /her knowledge, experience, and information gathered from friends and relatives, generates some possible business ideas which can be examined and pursued as a business enterprise.

This process is also described as 'opportunity scanning and identification'. Then, the generated ideas are analysed in terms of costs and benefits associated with them. Having made cost-benefit analysis of all the ideas, the most beneficial idea is finally selected to be pursued as business enterprise.

### ✓ **Preparation of Business Plan or Project Report**

The entrepreneur prepares a statement called 'business plan' or 'project report' of what he / she proposes to take up. In other words, business plan is a well evolved course of action devised by entrepreneur to achieve the specified objectives within a specified period of time.

In this sense, business plan is just like an operating document. The preparation of business plan is not must, but it is very much useful for the entrepreneur to establish his / her enterprise in an effective and smooth manner. But, it is must for those entrepreneurs who intend to apply for financial assistance from the financial institutions and banks for their enterprises.

It contains information about the intending entrepreneur, location of enterprise, requirement for land and building, plant and machinery, raw material, utilities, transport and communication, manpower, requirement for funds including working capital along with its sources of supply, break-even point and implementation schedule of the project.

### ✓ **Requirement for Finance**

The entrepreneur prepares requirement for funds with its detailed structure. The financial requirement is also classified into short-term and long-term separately. Then, the sources of supply to acquire the required fund are also mentioned. How much will be the share capital in terms of equity and preference shares and how much will be borrowed capital from different financial institutions and banks are clearly determined.

### **Commercial Functions**

The commercial functions of Entrepreneurs include the following.

### ✓ **Production / Manufacturing**

Once the enterprise is finally established, it starts producing goods or offering services, whichever is the case. Production function includes decisions relating to the selection of

factory site, design and layout, types of products to be produced, research and development, and design of the product.

The ancillary activities include production planning and control, maintenance and repair, purchasing, store-keeping, and material handling. The effective performance of production function, to a large extent, depends on the proper production planning and control.

### ✓ **Marketing**

All production is basically meant for marketing. Marketing is the performance of those business activities that direct the flow of goods and services from producer to consumer or user. Thus, marketing essentially begins and ends with the customers. It is important to note that marketing is not just selling. In fact, marketing includes much more than selling. Selling is the last function in marketing activities.

The examples of marketing activities are market or consumer research, product planning and development, standardization, packaging, pricing, storage, promotional activities, distribution channel, etc. The success of marketing function is linked with an appropriate 'marketing mix'. Traditionally, marketing mix referred to 4 Ps, namely, product, price, promotion, and physical distribution. Of late, 3 more Ps namely, packaging, people, and process are also added to 'marketing mix'.

### ✓ **Accounting**

The main objective of any business enterprise is to earn profits and create wealth. Whether the business is fulfilling its objective or not is ascertained through accounting. What is accounting? According to the American Institute of Certified Public Accountants, "Accounting is the art of recording, classifying and summarizing in a significant manner and, in terms of money, transactions and events which are, in part at least, of a financial character and interpreting the results thereof."

**Thus, accounting involves a process consisting of the following four stages:**

- ) Recording the Transactions
- ) Classifying the Transactions
- ) Summarising the Transactions
- ) Preparing the Final Accounts
- ) Analysing and Interpreting the Results.

The Profit & Loss Account is prepared for ascertaining whether the business earned profit or incurred loss during a particular period of time also called 'accounting year'. The Balance Sheet is prepared to know the financial position of business during the accounting period. Hence, the Balance Sheet is also called 'Position Statement.'

### **CONCEPT OF ENTREPRENEURSHIP**

The word "entrepreneur" is derived from the French verb *entreprendre*, which means 'to undertake'. This refers to those who "undertake" the risk of new enterprises. An enterprise is created by an entrepreneur. The process of creation is called "entrepreneurship".

Entrepreneurship is a process of actions of an entrepreneur who is a person always in search of something new and exploits such ideas into gainful opportunities by accepting the risk and uncertainty with the enterprise.

### **CHARACTERISTICS OF ENTREPRENEURSHIP**

**Entrepreneurship is characterized by the following features**

- ) **Economic and dynamic activity**

Entrepreneurship is an economic activity because it involves the creation and operation of an enterprise with a view to creating value or wealth by ensuring optimum utilisation of scarce resources. Since this value creation activity is performed continuously in the midst of uncertain business environment, therefore, entrepreneurship is regarded as a dynamic force.



) **Related to innovation**

Entrepreneurship involves a continuous search for new ideas. Entrepreneurship compels an individual to continuously evaluate the existing modes of business operations so that more efficient and effective systems can be evolved and adopted. In other words, entrepreneurship is a continuous effort for synergy (optimization of performance) in organizations.

) **Profit potential**

“Profit potential is the likely level of return or compensation to the entrepreneur for taking on the risk of developing an idea into an actual business venture.” Without profit potential, the efforts of entrepreneurs would remain only an abstract and a theoretical leisure activity.

) **Risk bearing**

The essence of entrepreneurship is the ‘willingness to assume risk’ arising out of the creation and implementation of new ideas. New ideas are always tentative and their results may not be instantaneous and positive.

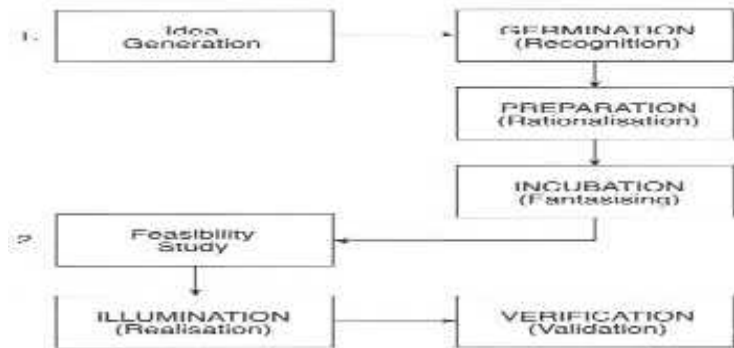
An entrepreneur has to have patience to see his efforts bear fruit. In the intervening period (time gap between the conception and implementation of an idea and its results), an entrepreneur has to assume risk. If an entrepreneur does not have the willingness to assume risk, entrepreneurship would never succeed.

## **ENTREPRENEURIAL PROCESS**

Entrepreneurship is a process, a journey, not the destination; a means, not an end. All the successful entrepreneurs like Bill Gates (Microsoft), Warren Buffet (Hathaway), Gordon Moore (Intel) Steve Jobs (Apple Computers), Jack Welch (GE) GD Birla, Jamshedji Tata and others all went through this process.

To establish and run an enterprise it is divided into three parts – the entrepreneurial job, the promotion, and the operation. Entrepreneurial job is restricted to two steps, i.e., generation of an idea and preparation of feasibility report. In this article, we shall

restrict ourselves to only these two aspects of entrepreneurial process.



**Fig .1: The Entrepreneurial Process**

### **Idea Generation**

To generate an idea, the entrepreneurial process has to pass through three stages:

#### ✓ **Germination**

This is like seeding process, not like planting seed. It is more like the natural seeding. Most creative ideas can be linked to an individual's interest or curiosity about a specific problem or area of study.

#### ✓ **Preparation**

Once the seed of interest curiosity has taken the shape of a focused idea, creative people start a search for answers to the problems. Inventors will go on for setting up laboratories; designers will think of engineering new product ideas and marketers will study consumer buying habits.

#### ✓ **Incubation**

This is a stage where the entrepreneurial process enters the subconscious intellectualization. The sub-conscious mind joins the unrelated ideas so as to find a resolution.

### **Feasibility study**

Feasibility study is done to see if the idea can be commercially viable.

It passes through two steps:

#### ✓ **Illumination**

After the generation of idea, this is the stage when the idea is thought of as a realistic creation. The stage of idea blossoming is critical because ideas by themselves have no meaning.

#### ✓ **Verification**

This is the last thing to verify the idea as realistic and useful for application. Verification is concerned about practicality to implement an idea and explore its usefulness to the society and the entrepreneur.

### **IMPORTANCE OF ENTREPRENEURSHIP**

#### **Entrepreneurship offers the following benefits/Importance**

##### **Development of managerial capabilities**

The biggest significance of entrepreneurship lies in the fact that it helps in identifying and developing managerial capabilities of entrepreneurs. An entrepreneur studies a problem, identifies its alternatives, compares the alternatives in terms of cost and benefits implications, and finally chooses the best alternative.

This exercise helps in sharpening the decision making skills of an entrepreneur. Besides, these managerial capabilities are used by entrepreneurs in creating new technologies and products in place of older technologies and products resulting in higher performance.

##### **Creation of organisations**

Entrepreneurship results into creation of organisations when entrepreneurs assemble and coordinate physical, human and financial resources and direct them towards achievement of objectives through managerial skills.

### **Improving standards of living**

By creating productive organisations, entrepreneurship helps in making a wide variety of goods and services available to the society which results into higher standards of living for the people. Possession of luxury cars, computers, mobile phones, rapid growth of shopping malls, etc. are pointers to the rising living standards of people, and all this is due to the efforts of entrepreneurs.

### **Means of economic development**

Entrepreneurship involves creation and use of innovative ideas, maximisation of output from given resources, development of managerial skills, etc., and all these factors are so essential for the economic development of a country.

### **FACTORS AFFECTING ENTREPRENEURSHIP**

Entrepreneurship is a complex phenomenon influenced by the interplay of a wide variety of factors.

#### **Some of the important factors are listed below**

##### **Personality Factors**

Personal factors, becoming core competencies of entrepreneurs, include:

- ✓ Initiative (does things before being asked for)
- ✓ Proactive (identification and utilisation of opportunities)
- ✓ Perseverance (working against all odds to overcome obstacles and never complacent with success)
- ✓ Problem-solver (conceives new ideas and achieves innovative solutions)
- ✓ Persuasion (to customers and financiers for patronisation of his business and develops & maintains relationships)
- ✓ Self-confidence (takes and sticks to his decisions)
- ✓ Self-critical (learning from his mistakes and experiences of others)
- ✓ A Planner (collects information, prepares a plan, and monitors performance)
- ✓ Risk-taker (the basic quality).

### **Environmental factors**

These factors relate to the conditions in which an entrepreneur has to work. Environmental factors such as political climate, legal system, economic and social conditions, market situations, etc. contribute significantly towards the growth of entrepreneurship. For example, political stability in a country is absolutely essential for smooth economic activity.

Frequent political protests, bandhs, strikes, etc. hinder economic activity and entrepreneurship. Unfair trade practices, irrational monetary and fiscal policies, etc. are a roadblock to the growth of entrepreneurship. Higher income levels of people, desire for new products and sophisticated technology, need for faster means of transport and communication, etc. are the factors that stimulate entrepreneurship.

Thus, it is a combination of both personal and environmental factors that influence entrepreneurship and brings in desired results for the individual, the organisation and the society.

### **TYPES OF ENTREPRENEURS**

**Depending upon the level of willingness to create innovative ideas, there can be the following types of entrepreneurs**

#### **Innovative entrepreneurs**

These entrepreneurs have the ability to think newer, better and more economical ideas of business organisation and management. They are the business leaders and contributors to the economic development of a country.

Inventions like the introduction of a small car 'Nano' by Ratan Tata, organised retailing by Kishore Biyani, making mobile phones available to the common man by Anil Ambani are the works of innovative entrepreneurs.

#### **Imitating entrepreneurs**

These entrepreneurs are people who follow the path shown by innovative entrepreneurs. They imitate innovative entrepreneurs because the environment in which they operate is such that it does not permit them to have creative and innovative ideas on their own.

Such entrepreneurs are found in countries and situations marked with weak industrial and institutional base which creates difficulties in initiating innovative ideas.

In our country also, a large number of such entrepreneurs are found in every field of business activity and they fulfill their need for achievement by imitating the ideas introduced by innovative entrepreneurs.

Development of small shopping complexes is the work of imitating entrepreneurs. All the small car manufacturers now are the imitating entrepreneurs.

### **Fabian entrepreneurs**

The dictionary meaning of the term 'fabian' is 'a person seeking victory by delay rather than by a decisive battle'. Fabian entrepreneurs are those individuals who do not show initiative in visualising and implementing new ideas and innovations wait for some development which would motivate them to initiate unless there is an imminent threat to their very existence.

### **Drone entrepreneurs**

The dictionary meaning of the term 'drone' is 'a person who lives on the labor of others'. Drone entrepreneurs are those individuals who are satisfied with the existing mode and speed of business activity and show no inclination in gaining market leadership. In other words, drone entrepreneurs are die-hard conservatives and even ready to suffer the loss of business.

### **Social Entrepreneur**

Social entrepreneurs drive social innovation and transformation in various fields including education, health, human rights, workers' rights, environment and enterprise development.

They undertake poverty alleviation objectives with the zeal of an entrepreneur, business practices and dare to overcome traditional practices and to innovate. Dr Mohammed Yunus of Bangladesh who started Grameen Bank is a case of social entrepreneur.

## **SOME MYTHS ABOUT ENTREPRENEURSHIP**

Over the years, a few myths about entrepreneurship have developed. These are as under:

✓ **Entrepreneurs, like leaders, are born, not made**

The fact does not hold true for the simple reason that entrepreneurship is a discipline comprising of models, processes and case studies.

One can learn about entrepreneurship by studying the discipline.

✓ **Entrepreneurs are academic and socially misfits**

Dhirubai Ambani had no formal education. Bill Gates has been a School drop-out. Therefore, this description does not apply to everyone. Education makes an entrepreneur a true entrepreneur. Mr Anand Mahindra, Mr Kumar Mangalam Birla, for example, is educated entrepreneurs and that is why they are heroes.

✓ **To be an entrepreneur, one needs money only**

Finance is the life-blood of an enterprise to survive and grow. But for a good idea whose time has come, money is not a problem.

✓ **To be an entrepreneur, a great idea is the only ingredient**

A good or great idea shall remain an idea unless there is proper combination of all the resources including management.

✓ **One wants to be an entrepreneur as having no boss is great fun**

It is not only the boss who is demanding; even an entrepreneur faces demanding vendors, investors, bankers and above all customers.

An entrepreneur's life will be much simpler, since he works for himself. The truth is working for others are simpler than working for oneself. One thinks 24 hours a day to make his venture successful and thus, there would be a punishing schedule.

## **DIFFERENTIATE BETWEEN THE ENTREPRENEURS AND INTRAPRENEURS**

### **ENTREPRENEUR**

People who have a talent for seeing opportunities and the abilities to develop those opportunities into profit-making businesses.

### **INTRAPRENEUR**

The practice of using entrepreneurial skills without taking off the risks or accountability associated with entrepreneurial activities. It is practiced by employees within an established organization using a systemized business model.

<b>DIFFERENCES</b>	<b>ENTREPRENEUR</b>	<b>INTRAPRENEUR</b>
<b>Dependency</b>	An entrepreneur is independent in his operations	An intrapreneur is dependent on the entrepreneur, i.e. The owner.
<b>Raising of funds</b>	An entrepreneur himself raises funds required for the enterprise.	Funds are not raised by the intrapreneur.
<b>Risk</b>	Entrepreneur bears the risk involved in the business.	An intrapreneur does not fully bear the risk involved in the enterprise.
<b>Operation</b>	An entrepreneur operates from out side	On the contrary, an intrapreneur operates from within the organization itself.
<b>Orientation</b>	An entrepreneur begins his business with a newly set up enterprise.	An intrapreneur sets up his enterprise after working someone else's organization.



<b>Primary motives</b>	Wants freedom, goal oriented, self reliant, and self motivated	Wants freedom and access to corporate resources, goal oriented and self motivated, but also responds to corporate rewards and recognition.
<b>Time orientation</b>	Uses and goals of 5 to 10 year growth of the business as guides; takes action how to next step along the way	End goals of 3 to 15 years, depending on the type of venture; urgency to meet self imposed and corporate time tables
<b>Tendency to action</b>	Gets hand dirty; may upset employee by suddenly doing their work,	Gets hands dirty; may know how to delegate but when necessary, does what needs to be done,
<b>Skills</b>	Knows business intimately; more business acumen then managerial or political skills; often technically trained if in technical business; may have had profit and loss responsibility in the company,	Professional management ; often business school trained; uses abstract analytical tools, people-management and political skills,
<b>Use of market research</b>	Creates needs; creates products that often cannot be tested with market research; potential customers do not yet understand them; talks to customers and forms own opinion,	Does own market research and initiative market evaluation, like the entrepreneur.

<b>Experience</b>	As an entrepreneur establishes new business, so he does not possess any experience over the business.	An intrapreneur establishes his business after gathering experiences through working in the other organizations.
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## **DIFFERENCES BETWEEN THE ENTREPRENEUR AND THE MANAGER**

Sometimes, the two terms, namely, an entrepreneur and a manager are considered as synonym, i.e., meaning the same. In fact, the two terms are two economic concepts meaning two different meanings. **The major points of distinction between the two are presented as under**

### **Behavioral Differences**

The typical entrepreneur wants to "be in control" of his life (which is often the reason why he started the business), of his business and especially of his employees.

The professional manager, on the other hand, enters a company which needs to delegate authority, since it has reached the stage in its development where the entrepreneur can no longer "do it all himself".

### **Management Style**

The entrepreneurial management style is very demanding, leaving very little room for error, and none at all for actual failures, since in most cases the business is a "one man show", even if there are other employees.

The professional manager, however, must be tolerant of failure (and see it as a basis for learning) and develop an administrative team, since a basic assumption is that responsibility in the organization must pass from the "all-knowing" entrepreneur to people who still have to learn about the business.

### **The Moving Force**

Entrepreneurial management is characterized by concepts such as "entrepreneurship", "creativity", "innovation", and so on, indicators of the desire to create "something from nothing".

Professional management is characterized by concepts such as "order", "organization", "procedures", and so on, indicating the desire to organize and maintain what exists.

### **Growth**

Entrepreneurial management is noted for its ability to react quickly and effectively to new business opportunities. This ability is the foundation for rapid growth of the company in its entrepreneurial stage.

Professional management is noted for medium and long term strategic planning, which leads to controlled growth of the company during the process of establishment.

### **Organizational Structure**

The entrepreneurial organization is characterized by its informal, flexible structure, which allows it to adapt to changes required by its rapid growth.

Professional management, on the other hand, requires a formal and fairly rigid organizational structure, which leaves no room for rapid reactions to business opportunities, but protects the organization from sudden collapse.

### **Decision-Making**

The entrepreneur usually makes decisions, even those of critical importance for his business, on the basis of his own personal intuition and "gut feelings".

The professional manager makes decisions after collecting detailed information and reaching operative conclusions, while relying on experts both from within and outside the organization.

### **Definition of Aims**

The entrepreneur describes his organization in terms of "vision", "dream" and "mission" and manages to give his employees

the feeling that they are working for a higher aim than just marketing a product and/or service.

The professional manager describes the company aims in terms of market segments, yield per worker and profitability.

### **Attitude toward Money**

Although the accepted myth is that entrepreneurs are driven by the desire for power and money, both theoretical and empirical studies have shown that typical entrepreneurs are in fact driven by the desire for success rather than power. This means that, in the eyes of most entrepreneurs, while money is a welcome by-product of their efforts, it is not the reason for their efforts.

The professional business manager, on the other hand, looks at the business he manages through "financial eyes" and defines its aims (usually in the short term only) purely in financial terms.

### **Attitude toward Risk**

The myths describe entrepreneurs as "wild risk-takers", although many studies have shown that in fact the typical entrepreneur is very good at assessing risks.

On the other hand, the professional manager, who sees his task as strengthening and maintaining the company, is naturally afraid of risks and tries to maintain the status quo.

### **Company Culture**

The typical entrepreneur does not usually try to define a "culture" for the organization he sets up, since in most cases he himself is the organization. The literature defines this situation as "the entrepreneurial organizational culture", characterized by large doses of charisma and "manipulativeness".

The professional manager does try to establish a well-defined company culture, based on company values on one hand and commercial aims on the other.

## **CHARACTERISTICS OF A SUCCESSFUL ENTREPRENEUR**

The characteristics of a successful entrepreneur are:

An entrepreneur should possess all such characteristics with the help of which he can perform as a successfully. Most common attributes of an entrepreneur can be courage, good-judgment, initiative, skillful, competent, perseverance and emotional stability.

### **✓ Calculated Risk-taker**

A risk situation occurs when one is required to make a choice between two or more alternatives whose potential outcomes are not known and must be subjectively evaluated. A risk situation involves potential gain or loss. The greater the possible loss, the greater is the risk involved.

An entrepreneur is a calculated risk-taker. He enjoys the excitement of a challenge but he does not gamble. An entrepreneur avoids low-risk situation because there is a lack of challenge and he avoids high-risk situation because he wants to succeed. He likes achievable challenges.

An entrepreneur likes to take realistic risks because he wants to be successful. He gets greater satisfaction in accomplishing difficult but realistic tasks by applying his own skills. Hence, low-risk situation and high-risk situation both are avoided because these do not satisfy the entrepreneur.

### **✓ Innovator**

Schumpeter differentiates between an inventor and innovator. An inventor discovers new methods and new materials and an innovator is the one who utilizes those discoveries and inventions. Not only this, the entrepreneur further exploits the inventions commercially and thus produces newer and better goods which give him profit and satisfaction.

Innovation may occur in the following forms:

- ) The introduction of new goods.
- ) The introduction of new methods of production.
- ) The opening of a new market.

- ) The conquest of a new source of supply of raw-material.
- ) The carrying out of the new form of organisation of any industry.

The entrepreneur locates ideas and puts them into effect in the process of economic development. According to Baumol, an entrepreneur is a Schumpeterian innovator and something more than a leader.

There is a distinction between an entrepreneur and a manager. According to Schumpeter, a manager is one who deals with day-to-day affairs of the business whereas an entrepreneur is the owner and makes policies and takes decisions.

Rogers and Shoemaker have summarized their findings concerning the attributes of an innovator. The innovator according to them is:

- ) More educated
- ) Higher in social standing
- ) Less dogmatic
- ) More empathetic
- ) Better equipped to deal with abstraction
- ) More receptive to risk in general
- ) Higher in achievement motivation
- ) Higher in social participation
- ) More cosmopolitan
- ) More often engaged in inter-personal communication
- ) A more active information seeker
- ) More knowledgeable about innovations
- ) An opinion leader
- ) More in contact with persons outside the social systems.

✓ **Organizer**

An entrepreneur has to bring together various factors of production, minimize losses and reduce the cost of production.

Initially, he may take all the decisions but as the enterprise grows, he starts delegating the authority. He produces that best results as an organizer. Not only this, it is the entrepreneur who has to pick or select the right piece of land, choose the right person and opt for the financier. He must be able to inspire loyalty and hard work amongst the workers to raise productivity and efficiency. In order to expand the business, he must have willingness to delegate authority and trust his sub-ordinates and managers although shaping of long-run policies of the enterprise would remain in his hands.

An enterprising entrepreneur should be energetic, resourceful, alert to new opportunities and able to adjust the changing conditions. As J.B. Say observes, an entrepreneur must have “Judgement, perseverance, and knowledge of the world as well as business. He is called upon to estimate, with tolerable accuracy the importance of specific product ; the probable amount of demand, and the means of its production, at another, buy or order the raw material, collect labourers, find consumers, and give at all times rigid attention to order and economy, in a word, he must possess the art of superintendence and administration.”

✓ **Creative**

Creativity, as field knowledge, seeks to explain how humans, either individually or collectively, reach solutions that are both novel and useful. Innovation means the effort to create purposeful ventures.

Harry Nystrom states that innovation may be defined as radical, discontinuous change and creativity is the ability to devise and successfully implement such changes. Successful innovations depend on creativity and one of the most important requirements of an entrepreneur is to be creative as creativity may be taken as the cause and successful innovation as the effect.

✓ **Achievement Motivated**

McClelland explicitly introduces the need for achievement motivation as a psychological motive and implicitly emphasized the

need for achievement as the most directly relevant factor for explaining economic behavior.

Achievement motivation is a drive to overcome challenges, to advance and to grow. An entrepreneur is achievement-oriented person, not 'money hungry'. He works for his desire for challenge, accomplishment and service to others.

Achievement concern refers to the accomplishment of excellent, innovative and risk involving tasks. The organizational goal of an entrepreneur can be boosted by inculcating in him the need for achievement.

Galbraith point out that lack of ambition is the cause of backwardness of many countries. Ambition is an under one's own resourcefulness. It electrifies actions. Spirit of need for achievement, if inculcated in people, earn drive people to specific actions and the nation can adopt the path of development

✓ **Technically Competent**

Success of an entrepreneur depends largely upon his ability to adopt latest technology. Technical knowledge implies the ability to devise and use new and better ways of producing and marketing goods and services. An entrepreneur must have a reasonable level of technical knowledge. Technical knowledge is the ability that people can acquire with hard work.

An entrepreneur who has a high level of administrative ability, mental ability, communication ability, human relations ability and technical knowledge can be more successful than a person with low level of these abilities. A dynamic entrepreneur must also be interested in changing the pattern of production to suit the requirements.

✓ **Self-confident**

It is necessary for an entrepreneur to be self-confident. He should have faith in himself, only then he can trust others.

In an expanded business, delegation of authority is a must and only a self-confident entrepreneur can delegate his authority. He can



seek cooperation of his staff and inculcate a sense of team work in them.

✓ **Socially Responsible**

In the context of the universal urge for social change and economic development, the old concept of an entrepreneur seeking certain advantages for himself is no longer acceptable. The changing environment calls for a socially conscious entrepreneur who is not threatened by progress of others. On the contrary, he acts in full awareness of social repercussions of his actions. His entrepreneurial ability may create jobs for others. He may invent new products and new manufacturing methods. He may innovate new ways of doing things. All these have social consequences. An entrepreneur should think of projects of social significance and of importance to others. He should expand his entrepreneurial activities, in order to help in creating conditions for social change and for development of businesses which benefit the society. Such an attitude for others raises the level of entrepreneurship from that of an individual activity to a meaningful social endeavour.

✓ **Optimistic**

An entrepreneur should approach his task with a hope of success and optimistic attitude. He attempts any task with the hope that he will succeed rather than with a fear of failure. Such a hope of success enhances his confidence and drives him towards success.

✓ **Equipped with Capability to Drive**

Drive is a person's motivation toward a task. It comprises of such personality traits as responsibility, vigour, initiative, persistence and ambition. An entrepreneur must exert considerable effort in establishing and managing his business. Those entrepreneurs who work hard in planning, organising, coordinating and controlling their businesses are more likely to have a successful business than the entrepreneur who is lost and haphazard.

✓ **Blessed with Mental Ability**

Mental ability that contributes to the success of an entrepreneur consists of overall intelligence, i.e., IQ, creative thinking ability and

analytical thinking ability. An entrepreneur must be intelligent, adaptable, and creative and he must be able to engage in analysis of various problems and situations in order to deal with them.

✓ **Human Relations Ability**

Personality factors such as emotional stability, personal relations, sociability, consideration and tactfulness are important contributors to entrepreneur's success. One of the most important facets of human relations ability is one's ability to "put himself in someone else's place and to know how the other person feels. This is the ability to practice empathy.

The entrepreneur must have good relations with his employees, customers etc. He must be aware of the needs and motivations of customers if he is to adequately train his employees to maintain good customer relations.

✓ **Communication Ability**

An entrepreneur must possess the quality of communicating effectively in written and oral communications. Good communication also means that both the sender and the receiver understand and are being understood.

Robert D. Hisrich has highlighted the following key characteristics of an entrepreneur.

- ) Motivator
- ) Self-confidence
- ) Long-term involvement
- ) High energy level,
- ) Persistent problem-solver
- ) Initiative
- ) Goal setter
- ) Moderate risk taker.

✓ **Decision-Making**

An entrepreneur must be clear and creative when it comes to decision-making. He must believe in himself and should be possessing ability to take decisions effectively. Decisions taken

should be based on quantitative facts. Decisions which affect organization's future and are likely to be irreversible must be taken with great care.

An entrepreneur might have to take decisions without the assistance of quantitative data or experienced support staff, then he has to be more creative than just a conventional manager. Such problems have to be seen from different angles and answers must be sought in an innovative way. Decisions taken must improve the future profitability of the enterprise. Entrepreneur's past experience, intuitive decision-taking ability, rational approach, problem-solving ability, creativity, innovativeness etc. will help him take quick and accurate decisions. A rational approach is a logical and sensible way to solve business problems. Not only this, decision taken is not enough unless it is implemented. Boldness and enthusiasm are required to implement a decision. Once a decision is implemented, all doubts and uncertainties should be left behind. A positive attitude of the entrepreneur, a sense of security allows him to make key decisions with little fear of the consequences. Such qualities make him leader and others followers. Ability to deal with ambiguity and uncertainty help the entrepreneur in attaining the goals and aspirations of his organisation.

Here are some tips to become a good decision-maker.

- ) Define the Problem
- ) Collect information and relevant data
- ) Begin with a 'brain storming' session and discuss the problem with each other
- ) Never criticize or reject any solution suggested during the brain storming session
- ) Encourage group members to come up with potential solutions
- (6) Reduce the number of alternatives to three or four after discussion
- ) Consider each alternative extensively and determine the best to meet your needs.

) Implement decisions. Decision-making is an art ; the more one practices it, better expert he/she becomes.

✓ **Business Planning**

A thousand-mile Journey begins with but a simple step . The decision to become an entrepreneur is the first step followed by the choice of the product. As the business venture is undertaken, need for planning arises. It is the rigor and thoroughness of the business plan which could be behind the successful entrepreneur throughout his venture's life.

Planning is really nothing more than decision making that is, deciding what to do, how to do and when to do. It is vital for the success of a business. As a business person puts it .

"Planning is so important today that it occupies a major part of the time of the most respected men in business. Planning allows us to master change. It forces us to organize our expectations and develop programs to bring them about. Planning is the most effective way to draw out the best in all of us-our best thinking, out best interests and aims and to enable us to develop the most efficient way of achieving our maximum goals.

Business Planning begins the moment you decide to open business, to the moment you open the business, to the years you are actively engaged in business, A business plan, if updated every year goes a long way in serving the entrepreneur throughout venture's life, irrespective of the fact whether he is full-time or part-time, traditional or home-based, running a tiny unit or a cottage industry. The idea of a business plan is not new, what is new is the growing use of such plans by entrepreneurs. It has been a misconception that starting a business calls for little planning. The fact is that all business needs planning. Most of the entrepreneurs don't prepare formal business plan. They don't plan rigorously do it entirely in their heads. This lack of formal planning explains why some entrepreneurs fail.

Not only outside pressures, but insiders also have an interest in the business plan. These pressures force entrepreneur to

develop their businesses on paper before investing time and money. These pressures flow from creditors, investors, shareholders, etc. when the entrepreneur approaches for money. These outside pressures are healthy.

- ) Entrepreneurs benefit because a business plan makes them better appreciate what it will take to succeed.
- ) Business plan give better information to the outsiders to decide whether to help finance the entrepreneur.
- ) The entrepreneur's employers may also use the business plan as a blue print for harnessing their energies for years to come.
- ) Business planning is imperative if entrepreneur has a vision and needs an idea of where he wants his business to be. Just as one would not think of launching a manned space capsule without a flight plan, so one should not think of launching a new business without a business plan (Format of a business plan has been given in chapter 'Venture Capital').

In addition to the characteristics discussed earlier, researchers have found some qualities which contribute to an entrepreneur's success. These qualities happen to be:

- ) Initiative
- ) Personality
- ) Technical competence
- ) Good Judgment and intelligence
- ) Leadership
- ) Courage
- ) Self-confidence
- ) Honesty and sincerity
- ) Compatibility
- ) Confidence in employees
- ) Ability to delegate authority
- ) Ability to criticize and readiness to accept criticism.

- ) Aggressiveness
- ) Decision-making ability.
- ) Mental caliber
- ) Foresightedness
- ) Imagination
- ) Perseverance
- ) Patience
- ) Sense of Justice
- ) Resourcefulness
- ) Scientific mind
- ) Ingenuity
- ) Organizational ability
- ) Politically conservative
- ) Ability to coordinate activities
- ) Hopeful
- ) Skill in inter-personal relations
- ) Willingness to learn
- ) Worried
- ) Self-sacrifice
- ) Sense of Justice
- ) Integrity
- ) Loyalty
- ) Considerate.

## **BARRIERS TO ENTREPRENEURSHIP AND BUSINESS CREATION**

To promote entrepreneurship we need to know the barriers that affect entrepreneurship to overcome the barriers and promote new policies and measures to create new ventures. The barriers are not the same for all the individuals in society. Although some obstacles are common to all people, some groups find specific obstacles, namely, women, young people, people with disabilities, ethnic minorities, unemployed and people living in rural or

distressed areas. There may be a variety of barriers to enterprise, depending on the industry sector, region and type of enterprise. Some of the barriers commonly faced by entrepreneurs in India are:

- ) Cultural and social barriers
- ) Educational barriers
- ) Economic and financial barriers
- ) Regulatory barriers
- ) The lack of role models in entrepreneurship
- ) Lack of experience

### **Cultural and social barriers**

Creating an enterprise is a very difficult task because it demands knowledge of the legislation, environment, market, institutions, etc. To install an enterprise in India, the entrepreneurs need to know well a lot of local languages to have a better implementation and adaptation in the place. The difficulties of language don't help the complete integration of the entrepreneurs and enterprises, specially the micro and small enterprises. The lack of information on the available institutions is also a barrier for the creation of enterprises because entrepreneurs don't have enough information about the role, services and mission of the institutions that give support to enterprise creation. The limited access to social and business networks and institutions can also be considerate as a barrier to enterprise creation. The promotion of entrepreneurial culture must be fostered in order to improve the motivation of persons, the appetite towards risk, the appropriate skills and knowledge, factors that inhibit the creation of enterprises. Role models must be also presented in order to give entrepreneurs an idea of the rewards and benefits of enterprise creation and reduce the stigma of failure. The real cost of enterprise creation is still a barrier for start-up an enterprises, both personal and financial costs. The fear of failure is a barrier that still remains implanted in India

because the legal and social consequences of failure are severe. Information, communication and resources are very important tools that can be provided by networks. The lack of access to the networks can be a significant entry barrier.

### **Educational barriers**

There are a number of skills, competencies and knowledge base that all entrepreneurs must master, but unfortunately traditional education doesn't focus on developing these skills, or the knowledge to find ways to work on these skills. Entrepreneurs must develop skills related to leadership, teamwork, negotiation and communication. There are things you learn in school, yet many of these skills must be acquired by taking risks and throwing caution to the win, venturing into the unknown.

### **Economic and financial barriers**

Access to finance is important for all firms in achieving their business objectives, particularly for start-ups and business that seek to invest and grow. The capital markets tend to be efficient to larger firms but newer and smaller growth forms often depend upon external sources of finance and can face barriers in the market that prevent them from raising even relatively modest sums of risk capital, especially for innovative high-technology small firms and for businesses operating in disadvantage areas. The risk capital societies usually support societies and are not used to support small enterprises. The management of micro loans is very expensive and don't interest banks, the transaction costs are high and the returns are low. The disfavored people don't have bank credit and have several difficulties in getting loans because the risk for the banks is higher.

### **Regulatory barriers**

Creating a business environment conducive to entrepreneurship and enterprise creation requires a broad range of



reinforcing and supportive policies. These include fiscal and monetary policies, which are essential to provide a basis for a stable macroeconomic environment. They also include structural policies that determine the overall economic framework in which the business sector operates, such as those affecting labor markets, tax design, competition, financial markets and bankruptcy laws. There is considerable evidence that regulatory and administrative burdens can impose adversely on entrepreneurial activity. Legal entry barriers should be avoided unless their benefits are very clear. Regarding the barriers to entry, we can indicate some that are common in many countries: several legal forms of enterprise, with different procedures, requirements and registration; the complexity of creating a company: in some countries, the entrepreneurs need one day to register an enterprise, in others, they need 20 weeks, in addition to registration requirements, some countries require skill qualification when the activity is deemed to be an artisanal nature or the elaboration of a business plan certified by a business expert which attests to the enterprise viability. Employment regulation limits management flexibility and leads to smaller firm size and less research and development as well as less investment in technology. Barriers to exit may also discourage entry, since exit and entry rates tend to be closely related. Since firm entry involves considerable risk, with survival chances that are difficult to assess, institutions that make exit very costly discourage entry.

### **The lack of role models in entrepreneurship**

Role models are persons that by their attitudes, behaviors and actions establish the desirability and credibility as choice (in this case becoming an entrepreneur) for an individual. In the case of women entrepreneurs, historically we don't have women as models in entrepreneurship. There's a need to identify female role models because studies demonstrate that an individual will be more influenced by another individual of the same sex, as one's aspirations and choices tend to be more influenced by persons of the

same sex. Parents also play an importance role because they function as carriers of value, emotions and experiences towards self-employment. The studies demonstrate that children of self-employed parents are over-represented among firm owners and those trying to start a business.

### **Lack of experience**

The ability to discover and exploit opportunities to create a new business depends largely on previous education and work experience. Recent research demonstrate that highly educated women.

## ***UNIT 2***

### ***EDP– OBJECTS – PROCESS – PHASES – INSTITUTIONS***

#### **EDP - ENTREPRENEURIAL DEVELOPMENT PROGRAMME**

Entrepreneurial Development Programme means a programme conducted to help a person in strengthening his entrepreneurial motive and in acquiring skill and capabilities required for promoting and running an enterprise efficiently. A programme which is conducted with a motive to promote potential entrepreneurs, understanding of motives, motivational pattern, their impact on behaviour and entrepreneurial value is termed as entrepreneurial development programme. There are a number of programmes which give information to the prospective entrepreneurs regarding new business idea, how to set up a new venture, how to prepare a project report, sources of finance etc. These programmes should not be confused with EDP; these are all a part of EDP. EDP is primarily concerned with developing, motivating entrepreneurial talent and understanding the impact of motivation on behaviour.

A well designed EDP envisages three tiered approach:

- ) Developing achievement motivation and sharpening entrepreneurial traits and behaviour.
- ) Guidance on industrial opportunities, incentives, facilities and rules and regulations.
- ) Developing managerial and operational capabilities.

#### **NEED OF EDP**

Entrepreneurs possess certain competencies or traits. These competencies or traits are the underlying characteristics of the

entrepreneurs which result in superior performance and which distinguish successful entrepreneurs from the unsuccessful ones.

Then, the important question arises is: where do these traits come from? Or, whether these traits are in born in the entrepreneurs or can be induced and developed? In other words, whether the entrepreneurs are born or made? Behavioural scientists have tried to seek answers to these questions.

A well-known behavioural scientist David C. McClelland (1961) at Harvard University made an interesting investigation-cum-experiment into why certain societies displayed great creative powers at particular periods of their history? What was the cause of these creative bursts of energy? He found that 'the need for achievement (n' ach factor)' was the answer to this question. It was the need for achievement that motivates people to work hard. According to him, money- making was incidental. It was only a measure of achievement, not its motivation.

In order to answer the next question whether this need for achievement could be induced, he conducted a five-year experimental study in Kakinada, i.e. one of the prosperous districts of Andhra Pradesh in India in collaboration with Small Industries Extension and Training Institute (SIET), Hyderabad.

This experiment is popularly known as 'Kakinada Experiment'. Under this experiment, young persons were selected and put through a three-month training programme and motivated to see fresh goals.

One of the significant conclusions of the experiment was that the traditional beliefs did not seem to inhibit an entrepreneur and that the suitable training can provide the necessary motivation to the entrepreneurs (McClelland & Winter 1969). The achievement motivation had a positive impact on the performance of entrepreneurs.

In fact, the 'Kakinada Experiment' could be treated as a precursor to the present day EDP inputs on behavioural aspects. In a

sense, 'Kakinada Experiment' is considered as the seed for the Entrepreneurship Development Programmes (EDPs) in India.

The fact remains that it was the 'Kakinada Experiment' that made people appreciate the need for and importance of the entrepreneurial training, now popularly known as 'EDPs', to induce motivation and competence among the young prospective entrepreneurs.

Based on this, it was the Gujarat Industrial Investment Corporation (GIIC) which, for the first time, started a three-month training programmes on entrepreneurship development. Impressed by the results of GIIC's this training programme, the Government of India embarked, in 1971, on a massive programme on entrepreneurship development. Since then, there is no looking back in this front. By now, there are some 686 all-India and State level institutions engaged in conducting EDPs in hundreds imparting training to the candidates in thousands.

Till now, 12 State Governments have established state-level Centre for Entrepreneurship Development (CED) or Institute of Entrepreneurship Development (IED) to develop entrepreneurship by conducting EDPs. Today, the EDP in India has proliferated to such a magnitude that it has emerged as a national movement. It is worth mentioning that India operates the oldest and largest programmes for entrepreneurship development in any developing country.

The impact of India's EDP movement is borne by the fact that the Indian model of entrepreneurship development is being adopted by some of the developing countries of Asia and Africa. Programmes similar to India's EDPs are conducted in other countries also, for example, 'Junior Achievement Programme' based on the principle of 'catch them young' in USA and 'Young Enterprises' in the U. K.

## **IMPORTANCE OF EDP**

Entrepreneurs are considered as agents of economic growth. They create wealth, generate employment, provide new goods and services and raise the standard of living. EDP is an effective way to develop entrepreneurs which can help in accelerating the pace of socio-economic development, balanced regional growth, and exploitation of locally available resources. It can also create gainful self-employment. An EDP equips entrepreneurs and makes them competent to anticipate and deal with a variety of problems that any entrepreneur may have to face. It gives confidence to the entrepreneur to face uncertainties and take profitable risks. It prepares them to deserve and make good use of various forms of assistance.

EDP can be beneficial in the following ways:

) **Economic Growth**

EDP is a tool of industrialisation and path to economic growth through entrepreneurship.

) **Balanced Regional Development**

EDP helps in dispersal of economic activities in different regions by providing training and other support to local people.

) **Eliminates Poverty and Unemployment**

EDPs provide opportunities for self-employment and entrepreneurial careers.

) **Optimum use of Local Resources**

The optimum use of natural, financial and human resources can be made in a country by training and educating the entrepreneurs.

) **Successful Launching of New Unit**

EDP develops motivation, competence and skills necessary for successful launching, management and growth of the enterprise.

) **Empowers New Generation Entrepreneurs**

EDP, by inculcating entrepreneurial capabilities and skill in the trainees, create new generation entrepreneur who hitherto was not an entrepreneur.

**OBJECTIVES OF AN ENTREPRENEURIAL DEVELOPMENT PROGRAMME**

The main objectives of an entrepreneurial development programme are:

1. To identify and train the potential entrepreneurs in the region;
2. To develop necessary knowledge and skills among the participants in EDPs.
3. To impart basic managerial knowledge and understanding;
4. To provide post-training assistance;
5. To develop and strengthen entrepreneurial quality and motivation;
6. To analyze the environmental issues related to the proposed project;
7. To help in selecting the right type of project and products;
8. To formulate the effective and profitable project;
9. To enlarge the supply of entrepreneurs for rapid industrial development;
10. To develop small and medium enterprises sector which is necessary for employment generation and wider dispersal of industrial ownership;
11. To industrialize rural and backward regions;
12. To provide gainful self-employment to educated young men and women;
13. To diversify the source of entrepreneurship;
14. To know the pros and cons of being an entrepreneur.
15. To provide knowledge and information about the source of help, incentives and subsidies available from government to set up the project;

16. To impart information about the process, procedure and rules and regulations for setting up a new projects.
17. Therefore, entrepreneurial development programmes have become imperative for exploiting vast untapped human skills and to channelize them into accelerating industrialization.

### **PHASES OF EDP**

EDP is primarily designed to induce motivation and competence among young prospective entrepreneurs. So the cause and curriculum of Entrepreneurship Development programme will be so designed that it will induce motivation and competency. The course curriculum of EDP should be designed to cover the following aspects:

- ) It will give general introduction to entrepreneurship.
- ) It will afford motivational training.
- ) It will increase managerial skill of the entrepreneur,
- ) It makes entrepreneur to have expert knowledge on various support systems and procedure.
- ) It will give fundamental idea on project feasibility study.
- ) It will encourage plant visit to afford practical knowledge to entrepreneurs.

After deciding on course contents and curriculum on EDP, the next important task is to decide various phases of EDP.

There are three different phases of EDP like:

- ) Pre-training phase
- ) Training phase
- ) Follow-up phase

#### **✓ Pre-training phase**

Pre-training phase consists of all activities and preparation to launch training programme. Pre-training phase of EDP consists of the following activities :



- ) Selection of entrepreneurs for the training programme.
- ) Arrangements of infrastructure are for the programme like selection of place of training.
- ) Deciding guest faculty for the programme from education industry and banks.
- ) Taking necessary steps for inauguration of programme.
- ) Formation of selection committee to select trainees from the programme.
- ) Making provision with regard to publicity and campaigning for the programme.

✓ **Training Phase**

The primary objective of training programme is to develop motivation and skill or competency amongst the potential entrepreneurs. Care should be taken to impart both theoretical and practical knowledge to various trainees. The training phase of EDP will be so designed that it will answer the following questions:

- ) Whether the attitude of the entrepreneur has been turned towards the proposed project or no.
- ) Whether the trainee has been motivated to accept entrepreneurship as a career.
- ) How the trainee behaves like an entrepreneur.
- ) Whether the trainee has sufficient knowledge on resources and technology or not.
- ) What kind of entrepreneurial traits he lacks and what steps should be taken to set it.

✓ **Post-training phase (Follow-up Phase)**

Follow up phase of EDP has been termed as post-training phase. The ultimate objective is to develop competent entrepreneurs. So that they can start their project. Post-training phase is a review phase of training programme. It consists of reviewing of work in the following manner:

- ) Review of pre-training work
- ) Review of actual training programme
- ) Review of post training programme so that cost effectiveness of the present programme can be evaluated.

## **PROCESS OF EDP**

Process of Entrepreneurial development programme consist the following main steps:

### **✓ Selection of potential entrepreneurs**

The first and foremost step in the EDP is the proper and right selection and identification of potential entrepreneurs. It refers to find out individuals who can be converted into entrepreneurs. The utmost care should be taken in identifying the right participants for the EDP.

- ) Before selecting the person for tainting due recognition should be provided to his family background, motivation level, educational qualification and entrepreneurial skill and competencies. Various modes of selections such as test, group discussions and interviews may be adopted in the selection of potential entrepreneurs.
- ) The two essential components such as identification of entrepreneurial qualities in the potential entrepreneurs and identification of suitable and viable opportunity or project for each identified entrepreneur should be kept in mind in selection of potential entrepreneurs.

### **✓ Identification of entrepreneurial traits and skills**

Every participant must have a minimum level of eligibility for becoming an entrepreneur. The entrepreneurial traits are broadly grouped into two categories:

#### **Socio – Economic Factor**

##### **(i) Family background**

The knowledge about the family background of a participants help to create entrepreneurial environment and

occupational awareness for the entrepreneurs. There are certain special types of families traditionally involved in certain types of work. Most people prefer to adopt similar tasks to family business.

**(ii) Age**

Different studies have proved that younger people are more successful entrepreneurs. This may be their higher risk taking ability as compared to older people and creative and innovative thinking.

**(iii) Education level**

The educational level of participant must be given due consideration. A minimum level of education and types of education play a very significant role in the success of new enterprise.

**(iv) Size and type of family**

The size and types of entrepreneur's family must also be considered. A joint family has generally a greater risk-bearing capacity as compared to nuclear family.

**(v) Working hands**

The working hand of family member of a potential entrepreneur also counts much.

**(vi) Social participation**

The social participation of potential entrepreneur will determine his social status in the society. Greater social participation improves the ability to influence others and the success of the entrepreneur. Therefore, priority should be given to those persons having experience in business, a functional level of education, young, family and financial support while selecting candidates for EDP.

**Human Resource Factors**

These are the inherited or acquired skills. The following human resource factors must be considered.

**(i) Achievement motivation**

It is the bases of entrepreneurship an entrepreneur with high need achievement succeed better. It involves both personal achievement and social achievement.

**(ii) Willingness to take risk**

Risk-taking willingness refers to seek change in business activity. The person perceiving greater amount of risk in the venture has the higher risk taking willingness.

**(iii) Influencing ability**

The entrepreneur would need adequate motivation to both influence and control the people and environment to achieve the end to successful.

**(iv) Personal efficacy**

It is the general sense of adequacy in a person. Personal efficacy is an important factor contributing to entrepreneurial behavior of a person. It represents the potential effectiveness present at the inner level. The roots of efficiency of a person lie in his perceptions and beliefs about himself. These beliefs may be the result of an individual's self-concept and perception of his own strength. Thus, personal efficacy can be defined as the tendency in the individual to attribute success or failure to external factors. A person having higher personal efficacy believes in his capacity to control and shape the environment while an individual having low personal efficacy believes that things are not under his control and occur due to fate.

**(v) Aspirations**

Aspiration is goal statements relating to future level of achievement. These are relating to future prospects of an individual's desire. It is a form of self-motivation also. A person having low level of aspiration is not likely to become an entrepreneur.

**Identification of enterprise**

It is essential to identify a suitable enterprise or project for potential entrepreneur after studying his socio-personal and human resource characteristics. The entrepreneurial project must be suited to the requirements of potential entrepreneurs. A number of factors such as his skill, experience, physical resources, family occupation etc. should be taken in consideration before selecting an enterprise.

After deciding the enterprise, the potential entrepreneur has to study the viability in terms of financial resources, availability of raw materials, marketing, profitability etc.

✓ **Contents of training programme**

There are different kinds of participants having different backgrounds and qualities to attend the entrepreneurial development programme. The following types of training are provided during the time duration of programme.

**(a) Technical knowledge and skills**

After the choice of a particular enterprise by a potential entrepreneur, the in-depth knowledge about the technical aspect of the trade should be imparted to him which will enable him to well-conversant with the process of manufacturing and trading in trade. A number of field trips to industrial units can be ver4y helpful to understand the economic aspects of the technology.

**(b) Achievement motivation training**

Development of achievement motive is essential in order to develop human resources. The main aim of achievement motivation training is to develop the need and desire to achieve, risk-taking, initiative and other such personal behavioral qualities, the self-awareness and self-confidence can be created among the participants through an achievement motivation programme which enable them to think positively and realistically. An ADP becomes an ordinary executive development programme with achievement motivation training. Motivation training helps the people to expand their business activities and their business venture.

**(c) Support systems and procedures**

The proper training relating to support systems and procedure should be imparted to participants. The participants become able to understand the functioning of various agencies like commercial banks and financial institutions, industrial service corporations and other institutions dealing with supply of raw materials, equipment, marketing etc. This session of the training programme helps the participant to understand the support system,

procedures for approaching them, applying and obtaining support from them and availing of the services provided by these agencies.

**(d) Market survey**

An opportunity to actually conduct market surveys to select the project is provided to participants. This will help them to understand the actual marketing position.

**(e) Managerial skill**

A participant requires managerial skills to start the enterprise. It should involve all the managerial factors such as planning, organization, coordination, leadership, supervision, control etc. The main aim of managerial training is to enable the participants to run the enterprise successfully.

✓ **Support system**

The new entrepreneur is ready at this stage to set up his new venture. He requires some type of assistance and support of many agencies in order to launch his new venture. Support system is the important part of the EDP. It is considered the backbone of an EDP.

It is absolutely necessary to develop various support systems in the initial stage of growth in order to accelerate the growth of entrepreneurship. One method of increasing opportunity and ensuring entrepreneurial success is by providing a network of support systems under entrepreneurial development programme. These support systems provide variety of information relating to credit, finance, marketing service etc.

✓ **Production**

After the enterprise is set up, production starts. At this step, the managerial and technological skill acquired in the EDP comes into use. Once the production starts the entrepreneur has to initiate supply of products through suitable marketing channel. The production and marketing are the most crucial stage in an Entrepreneurial Endeavour. Failure in either would mean a breakdown in EDP.

✓ **Monitoring and follow-up**

Continuous monitoring and follow up is essential for the success of any entrepreneurial development programme. At every stage of EDP, a system of proper monitoring needs to be built in. The defects and problems of EDP can be identified and removed through a proper monitoring system. Monitoring should provide continuous guidance to ensure better results. The monitoring and follow up should be conducted during each stage of pre-training and post-training of EDP. Pre-training follow up includes evaluation of training infrastructure and training syllabus.

**INSTITUTIONS PROVIDE EDP**

A number of support institutions set up by central and state governments help the entrepreneurial activities in various ways. The activities cover a wide range of services like financing, technical guidance, equipment support, training, marketing and providing subsidy and grants. The following institutions are available for providing the above mentioned benefits. **Following are the institutions provide training to Entrepreneurs:**

- ) National Institute for Entrepreneurship and Small Business Development (NIESBUD)
- ) Entrepreneurship Development Institute of India (EDII)
- ) Small Industries Service Institute (SISI)
- ) National Bank for Agriculture and Rural Development (NABARD)
- ) Council for Advancement of Peoples Action and Rural Technology (CAPART)
- ) District Industries Centre (DIC)

## ***UNIT 3***

# ***CONCEPT OF WOMEN ENTREPRENEURS- FACTORS INFLUENCING WOMEN ENTREPRENEURS – TYPES OF WOMEN ENTREPRENEURS- MALE ENTREPRENEURS VS. FEMALE ENTREPRENEURS – WOMEN ENTREPRENEURS IN INDIA.***

### **WOMEN ENTREPRENEURS**

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

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

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



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

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

### **FUNCTIONS OF WOMEN ENTREPRENEURS**

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

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

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

The fact remains that, like the definition of the term ‘entrepreneur’, different scholars have identified different sets of functions performed by an entrepreneur whether man or women .All these entrepreneurial functions can be classified broadly into three categories:

- ) Risk-bearing
- ) Organisation
- ) Innovations

## **TYPES OF WOMEN ENTREPRENEURS**

Women entrepreneurs in India are broadly divided into the following categories:

- ) Affluent entrepreneurs
- ) Pull factors
- ) Push
- ) Self-employed entrepreneurs
- ) Rural entrepreneurs

### ✓ **Affluent Entrepreneurs**

Affluent women entrepreneurs are those women entrepreneurs who hail from rich business families. They are the daughters, daughter-in-laws, sisters, sister-in-laws and wives of affluent people in the society. Many of them are engaged in beauty parlour, interior decoration, book publishing, film distribution and the like. The family supports the above type of entrepreneur in carrying out their responsibilities.

### ✓ **Pull Factors**

Women in towns and cities take up entrepreneurship as a challenge to do something new and to be economically independent. These are coming under the category of pull factors. They belong to educated women who generally take up small and medium industries where risk is low. Under this category, women usually start service centres, schools, food catering centres, restaurants, grocery shops etc.

### ✓ **Push Factors**

There are some women entrepreneurs who accept entrepreneurial activities to overcome financial difficulties. The family situation forces them either to develop the existing family business or to start new ventures to improve the economic

conditions of the family. Such categories of entrepreneurs are termed as push factors.

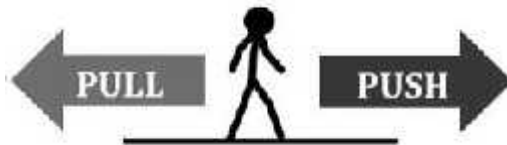
✓ **Self-employed Entrepreneur**

Poor and very poor women in villages and town rely heavily on their own efforts for sustenance. They start tiny and Small enterprises like brooms making, wax candle making, providing tea and coffee to offices, ironing of clothes knitting work, tailoring firm etc. Such women are called self-employed entrepreneurs.

✓ **Rural Entrepreneurs**

Women in rural areas/villages start enterprises which needs least organising skill and less risk. Dairy products, pickles, fruit juices, pappads and jagger making are coming under this category of Rural entrepreneur.

**FACTORS INFLUENCING WOMEN ENTREPRENEURSHIP**



**Fig.2.Push and Pull factors**

**PUSH FACTORS**

Push factors are elements of necessity such as insufficient family income, dissatisfaction with salaries job, difficulty in finding work and a need for flexible work schedule because of family responsibilities. These factors may have more importance for women than for men.

**PULL FACTORS**

Factors that work as entrepreneurial drive factors relate to independence, self-fulfillment, entrepreneurial drive and desire for

wealth, power and social status, co-operation and support of family members and a strong network of contacts. The most prominent factor is self achievement expressed in terms of challenge which helps women to start, run their own business and turn it into a profitable venture. When a strong need for achievement could not be fulfilled through a salaried position or when there was a desire to transform a perceived opportunity into a marketable idea, then these factors work for a person to start their own venture.

### **GOFFEE & SCASE CLASSIFY WOMEN ENTREPRENEURS INTO 4 MAIN TYPES.**

- J The first type is called “INNOVATIVE ENTREPRENEURS”, these are women that mainly started a business to challenge conventional assumptions about the social position of women. They want to prove through their own (success) case that work or professional development is more important than conventional female roles. These Entrepreneurs want to fulfill professional ambitions in their own companies that previous roles as employees did not allow them to.
- J The second type of Women Entrepreneurs is called “RADICALS-PROPIETORS”. These girls are active in economic and political ventures that strongly promote female issues. They do not care as much for profit-making (without saying that their business are not profitable) as “INNOVATIVE ENTREPRENEURS”, their motivation is to advocate for the long term development of women interests.
- J The third category is called “CONVENTIONALS”. These women, who are also not attached to traditional female roles, differ from “INNOVATIVE ENTREPRENEURS” in the fact that they do not necessarily present resentment about limited career opportunities in previous jobs. In fact,

they might have exercised secondary jobs in the past and they might have changed from job several times. To me (Oriana) this is the category that I understood the less, I mean, for me “CONVENTIONALS” are “INNOVATIVE ENTREPRENEURS without resentment” who had less job stability in the past.

- ) The final type is called “DOMESTICS”. These women, even if self-employed and entrepreneurs, see their businesses as secondary to their roles as mothers and wives, for instance. Having their own company offers opportunities for self-fulfillment and autonomy, however subordinated to their personal obligations.

## **PROBLEMS FACED BY INDIAN WOMEN ENTREPRENEURS**

Besides the above basic problems the other problems faced by women entrepreneurs are as follows:

### **Family ties**

Women in India are very emotionally attached to their families. They are supposed to attend to all the domestic work, to look after the children and other members of the family. They are over burden with family responsibilities like extra attention to husband, children and in laws which take away a lots of their time and energy. In such situation, it will be very difficult to concentrate and run the enterprise successfully.

### **Male dominated society**

Even though our constitution speaks of equality between sexes, male chauvinism is still the order of the day. Women are not treated equal to men. Their entry to business requires the approval of the head of the family. Entrepreneurship has traditionally been seen as a male preserve. All these put a break in the growth of women entrepreneurs.

### **Lack of education**

Women in India are lagging far behind in the field of education. Most of the women (around sixty per cent of total women) are illiterate. Those who are educated are provided either less or inadequate education than their male counterpart partly due to early marriage, partly due to son's higher education and partly due to poverty. Due to lack of proper education, women entrepreneurs remain in dark about the development of new technology, new methods of production, marketing and other governmental support which will encourage them to flourish.

### **Social barriers**

The traditions and customs prevailed in Indian societies towards women sometimes stand as an obstacle before them to grow and prosper. Castes and religions dominate with one another and hinders women entrepreneurs too. In rural areas, they face more social barriers. They are always seen with suspicious eyes.

### **Shortage of raw materials**

The scarcity of raw materials, sometimes nor, availability of proper and adequate raw materials sounds the death-knell of the enterprises run by women entrepreneurs. Women entrepreneurs really face a tough task in getting the required raw material and other necessary inputs for the enterprises when the prices are very high.

### **Problem of finance**

Women entrepreneurs stiffer a lot in raising and meeting the financial needs of the business, Bankers, creditors and financial institutes are not coming forward to provide financial assistance to women borrowers on the ground of their less credit worthiness and more chances of business failure. They also face financial problem due to blockage of funds in raw materials, work-in-progress finished goods and non-receipt of payment from customers in time.

### **Tough competitions**

Usually women entrepreneurs employ low technology in the process of production. In a market where the competition is too high, they have to fight hard to survive in the market against the organised sector and their male counterpart who have vast experience and capacity to adopt advanced technology in managing enterprises.

### **High cost of production**

Several factors including inefficient management contribute to the high cost of production which stands as a stumbling block before women entrepreneurs. Women entrepreneurs face technology obsolescence due to non-adoption or slow adoption to changing technology which is a major factor of high cost of production.

### **Low risk-bearing capacity**

Women in India are by nature weak, shy and mild. They cannot bear the amount risk which is essential for running an enterprise. Lack of education, training and financial support from outsiders also reduce their ability to bear the risk involved in an enterprises.

### **Limited mobility**

Women mobility in India is highly limited and has become a problem due to traditional values and inability to drive vehicles. Moving alone and asking for a room to stay out in the night for business purposes are still looked upon with suspicious eyes. Sometimes, younger women feel uncomfortable in dealing with men who show extra interest in them than work related aspects.

### **Lack of entrepreneurial aptitude**

Lack of entrepreneurial aptitude is a matter of concern for women entrepreneurs. They have no entrepreneurial bent of mind.

Even after attending various training programmes on entrepreneurship women entrepreneurs fail to tide over the risks and troubles that may come up in an organisational working.

### **Limited managerial ability**

Management has become a specialised job which only efficient managers perform. Women entrepreneurs are not efficient in managerial functions like planning, organising, controlling, coordinating, staffing, directing, motivating etc. of an enterprise. Therefore, less and limited managerial ability of women has become a problem for them to run the enterprise successfully.

### **Legal formalities**

Fulfilling the legal formalities required for running an enterprise becomes an upheaval task on the part of a women entrepreneur because of the prevalence of corrupt practices in government offices and procedural delays for various licenses, electricity, water and shed allotments. In such situations women entrepreneurs find it hard to concentrate on the smooth working of the enterprise.

### **Exploitation by middle men**

Since women cannot run around for marketing, distribution and money collection, they have to depend on middle men for the above activities. Middle men tend to exploit them in the guise of helping. They add their own profit margin which result in less sales and lesser profit.

### **Lack of self confidence**

Women entrepreneurs because of their inherent nature, lack of self-confidence which is essentially a motivating factor in running an enterprise successfully. They have to strive hard to strike a balance between managing a family and managing an enterprise. Sometimes she has to sacrifice her entrepreneurial urge in order to



strike a balance between the two.

## **MALE AND FEMALE ENTREPRENEURS**

Male and female entrepreneurs can be compared on the following basis,

- ) Marital status
- ) Education and background experience
- ) Type of business started
- ) Opportunity identification
- ) Efforts expended in a new business creation
- ) Startup problems
- ) Confidence in organizing abilities
- ) Risk preferences
- ) Motivations of business entry
- ) Operational differences
- ) Personal attributes
- ) Family – career conflict
- ) Psychological differences
- ) Career influences
- ) Firm's performance &
- ) Expectation for venture performance

### **✓ Marital Status**

In most comparative studies, male and female entrepreneurs differ significantly on marital status. Generally, husbands are not very much involved in the business, but if they are, it is an “expert”, rather than supportive role women differ from men with respect to the conflicting demands of business and family. Male business owners experience less conflict between the claims of marriage and business. Married women owners typically find that their husbands expect them to continue with their household duties despite the demands of their business”, these husbands rarely contribute to the running of either homes or business.

✓ **Education and Background Experience**

The most significant differences to emerge from these studies are demographic one. Men & women come to entrepreneurship from very different educational & business experience backgrounds. For men the decision to start a business seems to follow a logical progression, but it does not appear to do the same for women. One study which focused primarily on the influences that led women to become entrepreneurs reports “for the male sample, the normal route into entrepreneurship was to replicate a business of which the man had good prior knowledge, in both technical and managerial terms, as an employee of someone else; for the female sample, this was almost unknown”.

✓ **Type of Business Started**

Male and female entrepreneurs do not start the same types of businesses. Female led businesses are more likely to be found in personal services and retail trade and less likely to be found in manufacturing and high technology. In addition women start businesses that are less growth-oriented and less driven by opportunity and more oriented toward wage substitution.

✓ **Opportunity Identification**

Female entrepreneurs search for new business opportunities differently than male entrepreneurs for a variety of reasons. First, many opportunities are identified through information that is transferred through social networks. Women have different types of social networks than men. As a result, they have access to different sources of information about opportunities. For instance, male entrepreneurs to identify opportunities through conversations with investors and bankers because, on average, they know more investors and bankers

✓ **Efforts Expended on New Business Creation**

Researchers have found that female entrepreneurs, on

average, work fewer hours than male entrepreneurs. Studies have shown that women invest less time in the development of their new businesses than men. They also indicate that self employed women are less likely to work fulltime than self employed men.

#### ✓ **Start-up Problems**

Social norms about the role of women in society, the shortage of female role models, and the greater household burdens faced by women led female entrepreneurs to face more startup problems, and for those problems to be of greater magnitude, than their male counterparts. Attitude towards the role of women make it more difficult for female entrepreneurs to be taken seriously as business people, and to gain support for their entrepreneurial activities from their spouses, family & friends. In addition, the relative shortage of female role models makes it more difficult for female entrepreneurs to obtain adequate mentorship for their start-up efforts furthermore, the greater household and childcare responsibilities of women lead them to have more trouble balancing business formation and family responsibilities.

#### ✓ **Confidence in Organizing Abilities**

Because of how men and women are socialized, women have lower levels of career-related self-efficacy than men, particularly in careers that are seen as traditionally male. Because starting a business has been considered a traditionally “male” career, female entrepreneurs are thought to have less confidence in their entrepreneurial abilities than male entrepreneurs. As a result, they are less likely to believe that they can undertake the key in organizing a new venture, such as obtaining startup and working capital and attracting customers.

#### ✓ **Risk Preferences**

Research in sociology and psychology shows that women are risk averse than men across a wide variety of settings. Women

display greater financial risk aversion than men. Some studies suggest that this greater risk aversion carries over to female entrepreneurs. In fact, one study shows that a convenience sample of female entrepreneurs have lower risk propensity scores than male entrepreneurs on a psychological scale. The greater risk aversion of female entrepreneurs is thought to make them less willing to trade potential gain for risk, which leads them to prefer businesses with lower failure probabilities than those preferred by male entrepreneurs. As a result, male entrepreneurs pursue business opportunities that involve more risk than the opportunities pursued by female entrepreneurs. The greater risk aversion of female entrepreneurs also leads them to engage in greater amounts of risk minimizing activity. For instance it was found that the female entrepreneurs focus more on minimizing risk than male entrepreneurs in the business organizing process.

#### ✓ **Motivations of Business Entry**

Both women and men in comparative studies indicate the primary reason for turning to self-employment was in order to have more control over their working lives. A variety of negative forces can compel individuals to pursue self-employment. In broad terms, these negative forces exist for both men and women, i.e. displacement, dissatisfaction with previous employer, liability to find satisfactory alternative employment, life crisis, etc.; however the underlying dimensions of these non-economic factors or influences shape the nature of male and female entrepreneurship differently. The quest for personal autonomy and self-determination is a recurring theme for both men and women. But for women three major objectives appear to be involved, first the wish to escape a labor market which confines them to relatively insecure and low paid occupations, second, the desire to escape the supervisory controls associated with formal employment and / or the constraints of traditional domestic roles, and third to reject social stereotypes which tend to be imposed on them by social institutions.

✓ **Operational Differences**

Many of the operational differences perceived male and female business owners appear to be the same. The majority of the small firm owners, regardless of sex, see marketing, accounting and financial problems to be the major ones facing their firms. No study has systematically addressed business concerns on a comparison basis, but it does appear that women business owners face several obstacles which male business owners do not appear to encounter. Bank officers reactions to loan request from women are reported to be unsympathetic and uncompromising. Access to capital is a problem cited in most of the research studies on women entrepreneurs

✓ **Personal Attributes**

In terms of personal attributes, two studies found that women were usually either only children or the oldest daughters in a family where at least one parent was an entrepreneur.

✓ **Family Career Conflict**

One study investigated entrepreneurs and family career conflict and found that females reduce family career conflict by spending less time at work, while males increase their time at work.

✓ **Psychological Differences**

A comparative analysis of Welsch and young revealed no major differences in psychological characteristics and perceptions of business problems encountered. No differences in personality measures were found for risk taking, locus of control, Machiavellianism, self esteem, openness to innovation, and rigidity. Other studies have failed to find sex related differences in characteristics such as achievement, autonomy, aggression, support, conformity recognition, independence, benevolence and leadership. These researchers concluded that the differences between women entrepreneurs and women in general were much more significant

than between males and females entrepreneurs.

✓ **Career Influences**

In a study of 1000 small business owners in the US, women owners were greatly influenced by their husbands and families in making a career choice. Ninety percent of women stated they needed the support particularly the emotional support of their husbands and families. Most of the male business owners in the same study stated that their families had not influenced their career choice. In addition, husbands often received credit for their wives small business careers.

✓ **Firm Performance**

Studies have shown that performance of female led new ventures lags behind that of male led new ventures sales growth, employment, employment growth, income and venture survival are all lower for female led ventures. Women owned business have lower sales and employ fewer people than men.

✓ **Expectations for Venture Performance**

Female entrepreneurs have lesser expectations for their business than male entrepreneurs. They expect to generate lower profits and employ fewer people than male entrepreneurs because they are less motivated to make money and more motivated to achieve goals.<sup>49</sup> Male entrepreneurs have greater confidence in their entrepreneurial abilities than female entrepreneurs. These differences in confidence lead male entrepreneurs to form greater expectations for their business to form greater expectations for their business. Female entrepreneurs tend to start types of business that have lower growth and income potential than male entrepreneurs. As a result, the expectations of female entrepreneurs, when are in line with the reality of the business that they start, are lower than those of male entrepreneurs. Female entrepreneurs are more likely to set limits beyond which they do not want to expand their businesses

to ensure that they do not adversely affect their personal lives. Female entrepreneurs start smaller scale business than male entrepreneurs; hence their initial expectations for their businesses tend to be lower.

### **SUCCESSFUL LEADING BUSINESS WOMEN IN INDIA**

The 21<sup>st</sup> leading business women in India:-

- ) Akhila srinivasan, Managing Director , Shriram Investments ltd.
- ) Chanda Kocchar, Executive Director, ICICI Bank
- ) Ekta Kapoor, Creative Director, balaji Telefilms Ltd.
- ) Jyoti Naik, President, Lijjat Papad.
- ) Kiran Mazumdar Shaw, Chairman & Managing director, Biocon Ltd.
- ) Lalita D.Gupte, JMD , ICICI Bank.
- ) Naina Lal Kidwar, Deputy CEO , HBSE.
- ) Preetha Reddy , Managing Director, Apollo hospitals.
- ) Priya Paul, Chairman, Apeejay Park Hotels.
- ) Rajshree Pathy, Chairman, Rajshree Sugars & Chemicals ltd.
- ) Ranjana Kumar, Chairman, NABARD.

### **STEPS TAKEN BY THE INDIAN GOVERNMENT**

The growth and development of women entrepreneurs required to be accelerated because entrepreneurial development is not possible without the participation of women.

Therefore, a congenial environment is needed to be created to enable women to participate actively in the entrepreneurial activities. There is a need of Government, non-Government, promotional and regulatory agencies to come forward and play the supportive role in promoting the women entrepreneur in India.

The Government of India has also formulated various training and development cum employment generations programs

for the women to start their ventures. These programmes are as follows:

**Steps taken in Seventh Five-Year Plan**

In the seventh five-year plan, the Government has suggested the following suggestions:

) **Specific target group**

It was suggested to treat women as a specific target group in all major development programs of the country.

) **Arranging training facilities**

It is also suggested in the plan to devise and diversify vocational training facilities for women to suit their changing needs and skills.

) **Developing new equipments**

Efforts should be made to increase their efficiency and productivity through appropriate technologies, equipments and practices.

) **Marketing assistance**

It was suggested to provide the required assistance for marketing the products produced by women entrepreneurs.

) **Decision-making process**

It was also suggested to involve the women in decision-making process.



### **Steps taken by Government during Eight Five-Year Plan**

The Government of India devised special programs to increase employment and income-generating activities for women in rural areas. The following plans are launched during the Eight-Five Year Plan:

- ) Prime Minister Rojgar Yojana and EDPs were introduced to develop entrepreneurial qualities among rural women.
- ) Women's group extension in agriculture and allied activities.
- ) To generate more employment opportunities for women KVIC took special measures in remote areas.
- ) Women co-operatives schemes were formed to help women in agro-based industries like dairy farming, poultry, animal husbandry, horticulture etc. with full financial support from the Government.
- ) Several other schemes like Integrated Rural Development Programs (IRDP), Training of Rural youth for Self employment (TRYSEM) etc. were started to alleviate poverty. 30-40% reservation is provided to women under these schemes.

### **Steps taken by Government during Ninth Five-Year Plan**

Economic development and growth is not achieved fully without the development of women entrepreneurs. The Government of India has introduced the following schemes for promoting women entrepreneurship because the future of small scale industries depends upon the women-entrepreneurs:

- ) Trade Related Entrepreneurship Assistance and Development (TREAD) scheme was launched by Ministry of Small Industries to develop women entrepreneurs in rural, semi-urban and urban areas by developing entrepreneurial qualities. Women Component Plan, a special strategy adopted by Government to provide

assistance to women entrepreneurs.

- J Swarna Jayanti Gram Swarozgar Yojana and Swarn Jayanti Sekhari Rozgar Yojana were introduced by government to provide reservations for women and encouraging them to start their ventures.
- J New schemes named Women Development Corporations were introduced by government to help women entrepreneurs in arranging credit and marketing facilities.
- J State Industrial and Development Bank of India (SIDBI) has introduced following schemes to assist the women entrepreneurs. These schemes are:

**I. Mahila Udyam Nidhi**

**II. Micro Cordite Scheme for Women**

**III. Mahila Vikas Nidhi**

**IV. Women Entrepreneurial Development Programmes**

**V. Marketing Development Fund for Women**

### **Consortium of Women entrepreneurs**

Consortium of Women entrepreneurs of India provides a platform to assist the women entrepreneurs to develop new, creative and innovative techniques of production, finance and marketing. There are different bodies such as NGOs, voluntary organizations, Self-help groups, institutions and individual enterprises from rural and urban areas which collectively help the women entrepreneurs in their activities.

### **Training programmes**

The following training schemes especially for the self employment of women are introduced by government:

**I. Support for Training and Employment Programme of Women (STEP).**

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

**III. Small Industry Service Institutes (SISIs)**

**IV. State Financial Corporations**

V. National Small Industries Corporations

VI. District Industrial Centres (DICs)

### **Mahila Vikas Nidhi**

SIDBI has developed this fund for the entrepreneurial development of women especially in rural areas. Under Mahila Vikas Nidhi grants loan to women are given to start their venture in the field like spinning, weaving, knitting, embroidery products, block printing, handlooms handicrafts, bamboo products etc.

### **Rashtriya Mahila Kosh**

In 1993, Rashtriya Mahila Kosh was set up to grant micro credit to poor women at reasonable rates of interest with very low transaction costs and simple procedures.

## **ORGANISATIONS PROMOTING WOMEN ENTREPRENEURSHIP IN INDIA**

### **) National Resource Centre for Women (NRCW)**

An autonomous body set up under the National Commission for Women Act, 1990 to orient and sensitise policy planners towards women's issues, facilitating leadership training and creating a national database in the field of women's development.

### **) Women's India Trust (WIT)**

WIT is a charitable organisation established in 1968 to develop skills of women and to earn a regular income by providing training and employment opportunities to the needy and unskilled women of all communities in and around Mumbai.

### **) Women Development Corporation (WDC)**

WDCs were set up in 1986 to create sustained income generating activities for women to provide better employment

avenues for women so as to make them economically independent and self-reliant.

) **Development of Women and Children in Urban Area (DWCUA)**

DWCUA was introduced in 1997 to organise the urban poor among women in socio-economic self-employment activity groups with the dual objective of providing self-employment opportunities and social strength to them.

) **Association of Women Entrepreneurs of Karnataka (AWAKE)**

AWAKE was constituted by a team of women entrepreneurs in Bangalore with a view to helping other women in different ways –to prepare project report, to secure finance, to choose and use a product, to deal with bureaucratic hassles, to tackle labour problems, etc.

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) **Working Women's Forum (WWF)**

WWF was founded in Chennai for the development of poor working women to rescue petty traders from the clutches of middlemen and to make them confident entrepreneurs in their own right. The beneficiaries are fisher women, lace makers, beedi making women, landless women, labourers and agarbathi workers.

) **Association of Women Entrepreneurs of Small Scale Industries (AWESSI)**

It was founded in Ambattur in Chennai in 1984 to promote, protect and encourage women entrepreneurs and their interests in South India to seek work and co-operate with the Central and State Government services and other Government agencies and to promote measures for the furtherance and protection of small-scale industries.

) **Women's Occupational Training Directorate**

It organises regular skill training courses at basic, advanced and post advanced levels. There are 10 Regional Vocational Training Institutes (RVTIs) in different parts of the country, besides a National Vocational Training Institute (NVTI) at NOIDA.

) **Aid The Weaker Trust (ATWT)**

ATWT was constituted in Bangalore by a group of activists to impart training to women in printing. It is the only one in Asia. Its benefits are available to women all over Karnataka. It provides economic assistance and equips girls with expertise in various aspects of printing and building up self- confidence.

) **Self- Employed Women's Association (SEWA)**

SEWA is a trade union registered in 1972. It is an organisation of poor self- employed women workers. SEWA's main goals are to organise women workers to obtain full employment and self- reliance.

) **Women Entrepreneurship of Maharashtra (WIMA)**

It was set up in 1985 with its head office in Pune to provide a forum for members and to help them sell their products. It also provides training to its members. It has established industrial estates in New Mumbai and Hadapsar.

) **Self- Help Group (SHG)**

An association of women, constituted mainly for the purpose of uplifting the women belonging to the Below Poverty Line (BPL) categories to the Above Poverty Line (APL) category. The major activities of the group are income generation programmes, informal banking, credit, unions, health, nutritional programmes, etc.

) **The National Resource Centre for Women (NRCW)**

An autonomous body set up to orient and sensitise policy planners towards women's issues, facilitating leadership training and creating a national data base in the field of women's development.

) **Women Development Cells (WDC)**

In order to streamline gender development in banking and to have focused attention on coverage of women by banks, NABARD has been supporting setting up of Women Development Cells (WDCs) in Regional Rural Banks and Cooperative Banks.

**WOMEN ENTREPRENEURSHIP IN TAMIL NADU**

Traditionally, Tamil Nadu is one of the well-developed States in terms of industrial development. In the post-liberalisation era, Tamil Nadu has emerged as one of the front-runners, by attracting a large number of investment proposals. It has been ranked as the third largest economy in India. But the Government's efforts come only from 1970 onwards for the promotion of self-employment among women.

In Tamil Nadu each city has its own set of products that are manufactured by women entrepreneurs using indigenous skills. Most of these products are made with locally available materials and the skills available in production are seldom found in other cities. Though traditional activities like production and sale of domestic items such as garments have been taken up by women since long, entrepreneurship on the modern lines has been found in industry and trade and service concerns only for the last one decade or so.

The modern Tamil Nadu woman is different from the housewife of the past, to whom selling or running a business carried a stigma which she found difficult to shake off. Women entrepreneurs in Tamil Nadu possess organisational abilities, marketing skills, entrepreneurial skills and efficiency and novel

ideas. Many women have vaulted the barriers of conditioning and reaped the rewards of a globalising economy. According to Lakshmi V. Venkatesan, Founder Trustee of Bharatiya Yuva Shakthi Trust (BYST), “Women in Tamil Nadu are the best entrepreneurs in the country; they have shown that they could make excellent entrepreneurs if they get support by way of finance and guidance”<sup>22</sup>.

However, the manager of Indian Overseas Bank, (SSI Branch), Guindy, Chennai is of the opinion that most of the women entrepreneurs prefer to start business in the service sector with minimum risk and efforts. They are not interested in any kind of manufacturing activities. According to Laxmi Narasimhan, Regional Manager, Indian Overseas Bank, Madurai, urban women have good ideas about business; the success rate is very high, whereas the success rate of individual woman in semi-urban areas is much less, i.e., 20 to 30 per cent. In rural areas, the relative percentage is only 10. In rural areas, individual woman is not successful, since she does not have any idea about the business. Women are successful when they undertake group activities like Self Help Group (SHG), since they get very good awareness from it about the Government agencies, financial institutions, their schemes and opportunity to utilise these facilities. Family support is the main criterion for running business. Otherwise, women can run business only at micro finance level.

## **EVOLUTION OF WOMEN ENTREPRENEURSHIP IN TAMIL NADU**

In most parts of Tamil Nadu, women occupied a very low status in medieval and early modern society in the Madras Presidency. Lack of educational facilities, child marriages, prohibition of widow remarriages, prevalence of Devadasi system, etc. were some of the social factors responsible for the low status and misery of women who were reduced to the position of glorified slaves. Social barriers, imposition of taboos and female ignorance reigned supreme. The heavy industrialisation and urbanisation in the

State made significant development in the areas of women's empowerment and social development.

In Tamil Nadu women were engaged more in agriculture than in manufacturing or services. In the manufacturing sector, women worked as beedi workers and as manual labour for cotton textiles, fish, and food processing and match industry. A few were involved in the manufacturing of electronic and electrical goods.

In a traditionally conservative society like Tamil Nadu, risk-aversion was common. Women were a further step behind the average man, having to contend with gender barriers in financial institutions, discouragement in families, lower levels of education and confidence. The position of rural women in the State has remarkably changed with the formation of SHGs, which started on an experimental basis in 1989 in the rural areas. It helped poor rural women to enter the entrepreneurial world and it also helped them to develop self-confidence, communication, courage, independence, mobility, management and technical skills. Assisted by some NGOs and with a little Government support, this movement gained momentum and developed into strong local institutions. They provided legitimate avenues for social mobilisation with access to inputs, such as training, banking services, Government services, etc. Most of them in the informal sector are now running micro enterprises or home-based production units such as basket making, mat weaving, beedi making, lace making and the production of agarbathi, candles, garments, telephone mats, handicrafts, paper dice, ink, soaps, washing powder, snacks, fruit juices, pickles, jams squash, vattal, etc.

## **ORGANIZATIONS PROMOTING WOMEN ENTREPRENEURSHIP IN TAMIL NADU**

### **The Integrated Women Development Institute**

The institute was set up in 1989 to uplift women and girl children from the distressing situations they encounter, by



setting up income generating programmes for deserving women to become self-employed.

### **The Tamil Nadu Corporation for Development of Women Ltd.**

The corporation was set up on December 9, 1983 under the Companies Act, 1956 to focus on empowerment of women to encourage entrepreneurship among women, to identify trade and industries suitable for women, to undertake marketing activities for products manufactured by women and encourage women to form SHGs through giving training and extending credit facilities.

### **Women Entrepreneurship Promotional Association (WEPA)**

WEPA functioning in Chennai is an association of women entrepreneurs, providing training to women in various fields .The association also conducts exhibitions for the members and assists in marketing of the products of members.

### **Marketing Organisation of Women Entrepreneurs (Regd.) (MOOWES)**

MOOWES provides comprehensive support to women entrepreneurs to achieve success in the business. Its main aim is to aid women in marketing their products through exhibitions and thus provide an opportunity to tour the country also.

### **FINANCIAL INSTITUTIONS ASSISTING WOMEN ENTREPRENEURSHIP IN TAMIL NADU**

In Tamil Nadu, Tamil Nadu Industrial Cooperative Bank Limited, Tamil Nadu Industrial Investment Corporation (TIIC), Tamil Nadu Adi Dravidar Housing Development Corporation (TAHDCO), Regional Rural Banks, Public Sector Banks, Private Sector Banks, etc. provide financial assistance to women entrepreneurs. In Tamil Nadu there are 36 specialised SSI commercial bank branches functioning in different places. Some

banks (e.g. Indian Overseas Bank, Egmore, Chennai) have a Mahila Banking Branch which is meant mainly for women and managed by women.

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## **DEVELOPMENT OF WOMEN ENTREPRENEURS**

- ) Right efforts on from all areas are required in the development of women entrepreneurs and their greater participation in the entrepreneurial activities. Following

efforts can be taken into account for effective development of women entrepreneurs.

- ) Consider women as specific target group for all developmental programmers.
- ) Better educational facilities and schemes should be extended to women folk from government part. Adequate training programme on management skills to be provided to women community.
- ) Encourage women's participation in decision-making. Vocational training to be extended to women community that enables them to understand the production process and production management.
- ) Skill development to be done in women's polytechnics and industrial training institutes. Skills are put to work in training-cum-production workshops.
- ) Training on professional competence and leadership skill to be extended to women entrepreneurs.
- ) Training and counselling on a large scale of existing women entrepreneurs to remove psychological causes like lack of self-confidence and fear of success.
- ) Counseling through the aid of committed NGOs, psychologists, managerial experts and technical personnel should be provided to existing and emerging women entrepreneurs.
- ) Continuous monitoring and improvement of training programmers.  
Activities in which women are trained should focus on their marketability and profitability.
- ) Making provision of marketing and sales assistance from government part.
- ) To encourage more passive women entrepreneurs the Women training programme should be organised that taught to recognize her own psychological needs and

express them.

- ) State finance corporations and financing institutions should permit by statute to extend purely trade related finance to women entrepreneurs.
- ) Women's development corporations have to gain access to open-ended financing.
- ) The financial institutions should provide more working capital assistance both for small scale venture and large scale ventures.
- ) Making provision of micro credit system and enterprise credit system to the women entrepreneurs at local level. Repeated gender sensitization programmes should be held to train financiers to treat women with dignity and respect as persons in their own right.
- ) Infrastructure, in the form of industrial plots and sheds, to set up industries is to be provided by state run agencies.
- ) Industrial estates could also provide marketing outlets for the display and sale of products made by women. A Women Entrepreneur's Guidance Cell set up to handle the various problems of women entrepreneurs all over the state.
- ) District Industries Centers and Single Window Agencies should make use of assisting women in their trade and business guidance.
- ) Programmers for encouraging entrepreneurship among women are to be extended at local level.
- ) Training in entrepreneurial attitudes should start at the high school level through well-designed courses, which build confidence through behavioral games.
- ) More governmental schemes to motivate women entrepreneurs to engage in small scale and large-scale business ventures.
- ) Involvement of Non Governmental Organizations in

women entrepreneurial training programmes and counseling.

**UNIT 4**

***ENTREPRENEURIAL MOTIVATION –  
CHARACTERISTICS OF SUCCESSFUL  
ENTREPRENEURS – COMPETENCY  
REQUIREMENT FOR ENTREPRENEURS –  
MOTIVATION – MOTIVATION THEORIES  
– MOTIVATING FACTORS.***

**MOTIVATION**

The word motivation originally comes from the Latin word mover, which means “to motive”. The term motivation has been derived from the English word ‘motive’. Motive is an inner state of our mind that moves or activates or directs our behaviours towards our goals. Motives are expressions of a person’s goals or needs. They give direction to human behaviour to achieve goals or fulfill needs. Motive is always internal to us and is externalized via behaviour.

**DEFINITIONS ON MOTIVATION**

According to **Fred Luthans**, “Motivation is a process that starts with a physiological or psychological deficiency or need that activates behaviour or a drive that is aimed at a goal or incentive.”

**Stephen P. Robbins (2010)** defines motivation as “the willingness to exert high levels of effort toward organizational goals, conditioned by the effort and ability to satisfy some individual need.”

In the opinion of **Gray and Starke**, “Motivation is the result of processes, internal or external to the individual that arouses

enthusiasm and persistence to pursue a certain course of action.” Based on above definitions, now motivation may be defined as one’s willingness to exert high level of efforts towards the accomplishment of goal or fulfillment of need.

## **DEFINITIONS ON ENTREPRENEURIAL MOTIVATION**

Accordingly, the motivation may be defined as the process that activates and motivates the entrepreneur to exert higher level of efforts for the achievement of his/her entrepreneurial goals. In other words, the entrepreneurial motivation refers to the forces or drive within an entrepreneur that affect the direction, intensity, and persistence of his / her voluntary behaviour as entrepreneur. So to say, a motivational entrepreneur will be willing to exert a particular level of effort (intensity), for a certain period of time (persistence) toward a particular goal (direction).

The need for and significance of entrepreneurial motivation in running an enterprise can best be appreciated as: “While an organization is like a vehicle, entrepreneurship as driving and the entrepreneurial motivation as fuel or power that makes the organizational vehicle move or run.” Entrepreneurial Motivation is the drive of an entrepreneur to maintain an entrepreneurial spirit in all their actions.

## **NATURE OF MOTIVATION**

The nature of motivation emerging out of above definitions can be expressed as follows:

### **) Motivation is internal to man**

Motivation cannot be seen because it is internal to man. It is externalized via behaviour. It activates the man to move toward his / her goal.

### **) A Single motive can cause different behaviours**

A person with a single desire or motive to earn prestige in the society may move towards to join politics, attain additional

education and training, join identical groups, and change his outward appearance.

) **Different motives may result in single behaviour**

It is also possible that the same or single behaviour may be caused by many motives. For example, if a person buys a car, his such behaviour may be caused by different motives such as to look attractive, be respectable, gain acceptance from similar group of persons, differentiate the status, and so on.

) **Motives come and go**

Like tides, motives can emerge and then disappear. Motives emerged at a point of time may not remain with the same intensity at other point of time. For instance, an entrepreneur overly concerned about maximization of profit earning during his initial age as entrepreneur may turn his concern towards other higher things like contributing towards philanthropic activities in social health and education once he starts earning sufficient profits.

) **Motives interact with the environment**

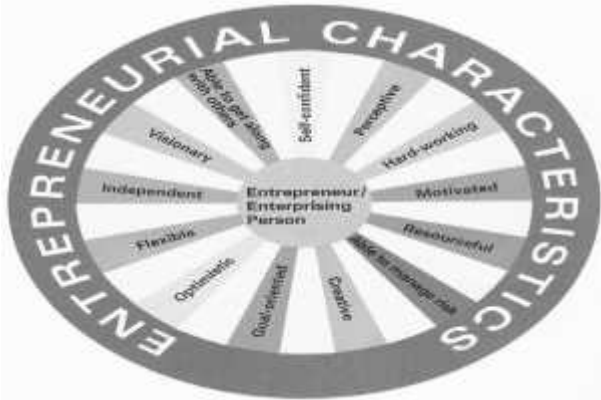
The environment in which we live at a point of time may either trigger or suppress our motives. You probably have experienced environment or situation when the intensity of your hunger picked up just you smelled the odour of palatable food. You may desire an excellent performance bagging the first position in your examination but at the same time may also be quite sensitive to being shunned and disliked by your class mates if you really perform too well and get too much of praise and appreciation from your teachers. Thus, what all this indicates is that human behaviour is the result of several forces differing in both direction and intent.

## **IMPORTANT ENTREPRENEURIAL TRAITS OR COMPETENCIES**

Whenever we are looking around, we find certain entrepreneurs doing exceedingly well. They are managing their enterprises very well and are out to make them grand success. The various questions that normally arise are —who are they ? what they possess ? and various other questions related with their style of



functioning. In their case there is a judicious mixture of knowledge, skill and personality. All these are called entrepreneurial traits or competencies. Knowledge refers to the collection and retention of information about any job or activity. Knowledge forms the basis for any action. Only knowledge cannot ensure success.



**Entrepreneurial traits or competencies fig.3**

Success depends upon the ability or skill of using the acquired knowledge for achieving desired results. Skill refers to practical application or use of the knowledge. Thus performance depends upon both knowledge and skill. Motivation is an inner urge in an individual which calls for action. According to Steneir “A motive is an inner state that energizes, activates or moves and directs or channels behaviour goals.” It is this inner urge in an individual to achieve his/her goal which David McClelland has termed as ‘Achievement Motivation’. It is this urge to achieve goal which prompts the individual to perform better and better. Thus in order to achieve success in any venture a person must possess a judicious combination of knowledge, skill and motive.

Entrepreneurship Development Institute of India [EDI] conducted a study under the guidance of Professor David C McClelland, a reputed behavioral scientist in three countries namely

India, Malawi and Equador. It was found out that possession of certain competencies or abilities result in superior performance. An entrepreneur may possess certain competencies and at the same time it is possible to develop these through training, experience and guidance. Various competencies required for superior performance were identified during the study and are as under.

### **Initiative**

It is an inner urge in an individual to do or initiate something. There is popular saying 'Well begun is half done'. It is the entrepreneur who takes or initiates the first move towards setting up of an enterprise. Most of the innovators have got this urge to do something different. Entrepreneur basically is an innovator who carries out new combinations to initiate and accelerate the process of economic development.

### **Looking for Opportunity**

An entrepreneur is always on the lookout or searching for opportunity and is ready to exploit it in the best interests of the organization.

### ) **Persistence**

An entrepreneur is never disheartened by failures. He believes in the Japanese proverb 'Fall seven times, stand up eight'. He follows Try-Try Again for overcoming the obstacles that come in the way of achieving goals.

### ) **Information Seeker**

A successful entrepreneur always keep his eyes and ear open and is receptive to new ideas which can help him in realizing his goals. He is ready to consult expert for getting their expert advice.

### ) **Quality Consciousness**

Successful entrepreneurs do not believe in moderate or average performance. They set high quality standards for themselves and then put in their best for achieving these standards. They believe in excellence, which is reflected in everything they do.

) **Commitment to Work**

Successful entrepreneurs are prepared to make all sacrifices for honoring the commitments they have made. Whatever they commit, they take it as a moral binding for honoring their commitments, irrespective of the costs involved.

) **Commitment to efficiency**

Top performers are always keen to devise new methods aimed at promoting efficiency. They are keen to evolve and try new methods aimed at making working easier, simpler, better and economical.

) **Proper Planning**

Successful entrepreneurs develop or evolve future course of action keeping in mind the goals to be realized. They believe in developing relevant and realistic plans and ensure proper execution of the same in their pursuit of attaining their goals.

) **Problem Solver**

Successful entrepreneurs take problem as a challenge and put in their best for finding out the most appropriate solution for the same. They will first of all understand the problem and then evolve appropriate strategy for overcoming the problem.

) **Self Confidence**

Top performers are not cowed down by difficulties as they believe in their own abilities and strengths. They have full faith on their knowledge, skill and competence and are not worried about future uncertainties.

) **Assertive**

An assertive person knows what to say, when to say, how to say and whom to say. He believes in his abilities and ensures that others fall in line with his thinking, aimed at promoting the interests of the organisation.

) **Persuasive**

A successful entrepreneur through his sound arguments and logical reasoning is in a position to convince others to do the

works the way he wants them to do. It is not physical but intellectual force he will use for convincing others.

) **Effective Monitoring**

Top performers ensure that everything is carried out in their organisations as per their wishes. They ensure regular monitoring of the working so that the goals of the organisation are achieved in best possible manner.

) **Employees Welfare**

Future of the organisation depends on its employees. If the employees are dedicated, committed and loyal, the organisation is bound to perform well. A successful entrepreneur tries to promote organization's interests through promotion of interests of the workers. He takes personal interest in solving problems confronting workers and generates the feeling that there is interdependence of the interests of workers and the management.

) **Effective Strategist**

A successful entrepreneur possesses the ability to evolve relevant strategy, aimed at safeguarding or promoting organisation's interests. Strategy may be with respect to facing future uncertainties or challenges posed by competitors.

## **MOTIVATION THEORIES**

There are different theories about what constitutes and creates workplace motivation in employees, which is required for the entrepreneur to run the business successfully. The most commonly held views or theories are

) Maslow's Need Hierarchy Theory of Motivation

) David McClelland achievement motivation theory

## **MASLOW'S NEED HIERARCHY THEORY OF MOTIVATION**

Maslow wanted to understand what motivates people. He believed that people possess a set of motivation systems unrelated to rewards or unconscious desires. Maslow (1943) stated that people

are motivated to achieve certain needs. When one need is fulfilled a person seeks to fulfill the next one, and so on. The earliest and most widespread version of Maslow's (1943, 1954) hierarchy of needs includes five motivational needs, often depicted as hierarchical levels within a pyramid.

The deficiency or basic needs are said to motivate people when they are unmet. Also, the need to fulfill such needs will become stronger the longer the duration they are denied. For example, the longer a person goes without food the more hungry they will become.

One must satisfy lower level basic needs before progressing on to meet higher level growth needs. Once these needs have been reasonably satisfied, one may be able to reach the highest level called self-actualization. Every person is capable and has the desire to move up the hierarchy toward a level of self-actualization. Unfortunately, progress is often disrupted by failure to meet lower level needs. Life experiences including divorce and loss of job may cause an individual to fluctuate between levels of the hierarchy. Maslow noted only one in a hundred people become fully self-actualized because our society rewards motivation primarily based on esteem, love and other social needs.

Maslow proposed that employees have five levels of needs (Maslow, 1943): physiological, safety, social, ego, and self-actualizing. Maslow argued that lower level needs had to be satisfied before the next higher level need would motivate employees. He proposed the needs as:

### **Physiological needs**

These are important needs for sustaining the human life. Food, water, warmth, shelter, sleep, medicine and education are the basic physiological needs which fall in the primary list of need satisfaction. Until these needs are satisfied to a degree to maintain life, no other motivating factors can work.

### **Security or Safety needs**

These are the needs to be free of physical danger and of the fear of losing a job, property, food or shelter. It also includes protection against any emotional harm.

### **Social need**

Since people are social beings, they need to belong and be accepted by others. People try to satisfy their need for affection, acceptance and friendship.

### **Esteem need**

According to Maslow, once people begin to satisfy their need to belong, they tend to want to be held in esteem both by themselves and by others. This kind of need produces such satisfaction as power, prestige status and self-confidence. It includes both internal esteem factors like self-respect, autonomy and achievements and external esteem factors such as appreciation, recognition and attention.

### **Self-actualization need**

Maslow regards this as the highest need in his hierarchy. It is the drive to become what one is capable of becoming. It includes growth, achieving one's potential and self-fulfillment to maximum level.

**Figure. 4. Maslow's Need Hierarchy Theory of Motivation**



### **DAVID MCCLELLAND ACHIEVEMENT MOTIVATION THEORY**

In his 1961 book 'The Achieving Society', David McClelland expounds on his acquired-needs theory. He proposed that an individual's specific needs are acquired over time and are shaped by one's life experiences. He described three types of motivational need. A person's motivation and effectiveness in certain job functions are influenced by these three needs.

Entrepreneurship is a major factor in the national economy; thus, it is important to understand the motivational characteristics spurring people to become entrepreneurs and why some are more successful than others. Studies and literatures show that achievement motivation has significant relationship with entrepreneurial career and entrepreneurial performance.

David McClelland's most well known theories is that human motivation is dominated by three needs. McClelland's theory, sometimes referred to as the three need theory or as the learned needs theory, categorizes the needs as follows;

- ) The need for power ( N-Pow)
- ) The need for affiliation ( N-Affil) and

) The need for achievement ( N-Ach)

The importance of each of these needs will vary from one person to another. If you can determine the importance of each of these needs to an individual, it will help you decide how to influence that individual.

**Figure. 5.David McClelland Motivational Needs**



McClelland asserted that a person's needs are influenced by their cultural background and life experiences. He also asserted that the majority of these needs can be classified as the needs for affiliation, achievement or power. A person's motivation and effectiveness can be increased through an environment, which provides them with their ideal mix of each of the three needs (N-Ach, N-Pow and/or N-Affil).



### **NEED FOR POWER**

Basically people for high need for power are inclined towards influence and control. They like to be at the centre and are good orators. They are demanding in nature, forceful in manners and ambitious in life. They can be motivated to perform if they are given key positions or power positions.

### **NEED FOR AFFILIATION**

In the second category are the people who are social in nature. They try to affiliate themselves with individuals and groups. They are driven by love and faith. They like to build a friendly environment around themselves. Social recognition and affiliation with others provides them motivation.

### **NEED FOR ACHIEVEMENT**

People in the third area are driven by the challenge of success. A person with this type of need will set goals that are challenging but realistic. The goals have to be challenging so that the person can feel a sense of achievement. However the goals also have to be realistic as the person believes that when a goal is unrealistic, its achievement is dependent on chance rather than personal skill or contribution. This type of person prefers to work alone or with other high achievers. They do not need praise or recognition, achievement of the task is their reward. A person with a “need for achievement” (N-Ach) needs regular job-related feedback so that they can review their progress and achievement. Feedback includes advancement in the person’s position in the organization. Salary scale will also be viewed as measure of progress. The amount of salary is not about increasing wealth for a person with a high need for achievement. Instead this type of person is focusing on how their level of salary symbolizes their progress and achievement.

McClelland believed that people with a strong need for achievement (N-Ach), make the best leaders for a variety of reasons including setting goals, reviewing progress and continuously

looking at how things can be done better. However they may “expect too much” from their team as they believe that others have the same “need for achievement” which is often not the case.

McClelland observed that with the advancement in hierarchy, the need for achievement increased rather than Power and Affiliation. He also observed that people who were at the top, later ceased to be motivated by these drives.

### **MCCLELLAND'S ACHIEVEMENT MOTIVATION THEORY IN WORK SITUATIONS**

McClelland's acquired needs are found to varying degrees in all workers and managers, and this mix of motivational needs characterises a person's or manager's style and behaviour, both in terms of being motivated, and in the management and motivation others.

People with different needs are motivated differently.

) **High need for achievement (n-ach).**

High achievers should be given challenging projects with reachable goals. They should be provided frequent feedback. While money is not an important motivator in itself. Rather, it is an effective form of feedback.

) **High need for affiliation (n-affil)**

Employees with a high affiliation need perform best in a cooperative environment.

) **High need for power (n-pow)**

Management should provide power seekers the opportunity to manage others.

Note that McClelland's acquired needs theory allows for the shaping of a person's needs; training programs can be used to modify one's need profile.

## **KAKINADA EXPERIMENT**

Achievement depends on how badly one wants to achieve. The need for achievement, therefore, plays an important role in making an entrepreneur as successful. It is an inner spirit that activates an entrepreneur to strive for success. In simple terms, need for achievement is the desire to do well. The empirical evidences support the hypotheses that need for achievement contributes to entrepreneurial success. Hence, there is the need for developing achievement motivation for developing entrepreneurship in an economy.

Then, the question is how to develop achievement motivation? David C. McClelland, a well-known Behavioural scientist of USA holds the view that achievement motivation can be developed through training and experience. For this, McClelland conducted his experiments with groups of businessmen in three countries, i.e. Malawi, India, and Ecuador.

He carried out a separate full-fledged training programme in India to instill achievement motivation in the minds of entrepreneurs. His successful experiment is popularly known as “Kakinada Experiment” Following is a brief description of this experiment.

### **Kakinada Experiment**

Kakinada is an industrial town in Andhra Pradesh. The experiment started in January 1964. The main objective of the experiment was to break the barrier of limited aspirations by inducing achievement motivation. A total of fifty two persons were selected from business and industrial community of the town. They were given an orientation programme at Small Industry Extension Training Institute (SIET), now NIESIET, and Hyderabad.

The participants were grouped into three batches. They were put under training for 3 months. The training programme was designed in such a way that it could help the trainees improve imagination and enable them to have introspection of their motivation.

**Accordingly, the programme included the following items in its syllabi**

- ) The individuals strived to attain concrete and regular feedback.
- ) The participants sought models of achievement to emulate.
- ) The participants thought of success and accordingly set plans and goals.
- ) The participants were encouraged to think and talk to themselves in a positive manner.

The impact of this training programme on the participants' behaviour was observed after a period of two years. The observations were quite encouraging. It was found that those attended the programme performed better than those did not.

The participants' need for achievement was assessed by using Thematic Apperception Test (TAT). In this TAT, ambition related pictures were displayed to the trainees and then they were asked to interpret the pictures and what is happening in the picture.

Thereafter, all the themes related to achievement were counted and, thus, the final score represented one's need for achievement. McClelland reached to this conclusion that the training programme positively influenced the entrepreneurial behaviour of the participants. As regards caste, the traditional beliefs and imitation of western culture, they did not determine one's behaviour as an entrepreneur.

That the need for achievement motivation can be developed more especially in younger minds is well supported by the cross-country experiments. For example, Junior Achievement Programme' is started in the United States of America with a view to instill achievement motivation in the minds of younger generation. Similarly, in United Kingdom, "Young Enterprise" programme has been started in the same objective of inducing achievement motivation in younger minds.

The above said experiments/programmes have made us realize that entrepreneurship is to be developed from a very young age.

Accordingly, efforts have been made to develop a school curriculum that would result in a high need for achievement among the students. For this purpose, the success stories drawn from history and legends of the indigenous culture are introduced in course curriculum to induce in young minds the 'need for achievement' and strong desire to do something good/ great they grow up. This is because the younger minds are more susceptible to change.

## **ENTREPRENEURIAL MOTIVATING FACTORS**

What factors motivate entrepreneurs to start enterprises? Many researchers have tried to understand and answer this question by conducting research studies to identify the factors that motivate people to take all the risk and start a business enterprise and classified the factors motivating entrepreneurs into 'push' (compulsion) and 'pull' (choice) factors, most of the researchers have classified all the factors motivating entrepreneurs into internal and external factors as follows:

- ) Internal Factors
- ) External Factors

### **Internal Factors**

These include the following factors:

- ) Desire to do something new.
- ) Become independent.
- ) Achieve what one wants to have in life.
- ) Be recognized for one's contribution.
- ) One's educational background.
- ) One's occupational background and experience in the relevant field.

### **External Factors**

These include:

- ) Government assistance and support.
- ) Availability of labor and raw material.

- ) Encouragement from big business houses.
- ) Promising demand for the product.

## **6CS AS THE MOTIVATING FACTORS FOR ENTREPRENEURS**

- ) Change
- ) Challenge
- ) Creativity
- ) Curiosity
- ) Control &
- ) Cash

### **Change**

Entrepreneurs constantly want change and also want to be the bearers of the change. They are problem solvers and want to disrupt the status quo. They have a vision ("I want to aggregate the world's information" or "I want to put a PC in every desk") and go about attempting to change - some succeed and others don't.

### **Challenge**

Many people who like to startup want it for the challenge and want to handle big problems. For such people, the typical job in a big corp is not challenging enough and too boring to be worth.

### **Creativity**

Running your own business lets you be more creative. For instance, you can experiment with a new website design, new marketing strategy, create innovative products that attacks a known problem in a different way, create new packaging and new advertising campaigns. You have an infinite room to bring in your creativity in a small business that you found.

### **Control**

Many guys who startup a business don't want to be pushed around and work in a product/company in which they have no way to shape the destiny. They want to work at their own time, own pace, location of their choice, employees of their choice and have an active role in deciding the direction of the company.

### **Curiosity**

Successful Entrepreneurs are always curious and ask - "what if we do X this way?". They want to understand the customer's minds, markets and competitors. They are constantly curious to see how their particular theory ("people want to do X with Y") works. In this aspect, they are no different from a researcher who is searching for the truth.

### **Cash**

The final part is the cash. Many non-entrepreneurs think cash comes first for entrepreneurs. That is never really true. If that were the case, there is no reason for an Ellison or Gates to keep pursuing their business aggressively after they have made a billion dollars (which could get them almost everything a person could want). However, cash (and multi-million dollar exits) do play a part in motivation to run a business. Just that if it is the primary motivation, it is quite likely that the business would either fail or have a premature exit.

## **IMPORTANCE OF ACHIEVEMENT MOTIVATION THEORY**

McClelland's theory is important as he argues that the achievement motive can be taught. It can be achieved by learning. A manager can raise achievement need level of his subordinates by creating a healthy work atmosphere, provision of reasonable freedom to subordinates, provision of more responsibilities and by making tasks more interesting and challenging. Even reward and

appreciation of high performance of subordinates is useful for raising their achievement need level. This is how motivation of employees is possible by developing the desire for higher achievement in their mind. Such achievement motivation is necessary and useful for the success of an **enterprise**.

McClelland's **theory of motivation** is quite extensive. He developed achievement motive for **motivation**. His assertion that achievement motive can be developed among the employees is important. This is possible through well-conceived and deliberate learning process. This he (McClelland) proved in an experiment carried out in a large U.S. Corporation.

According to McClelland, every person has an achievement motive to some extent. However, some are constantly more achievement-oriented than others. Most people will put more efforts into their work if they are challenged to do better. However, the achievement-motivated person is likely to outstrip all others in his zeal to improve performance when he is challenged. He makes more efforts and accomplishes more. This background can be used for motivation of employees. In fact, McClelland's achievement motivation theory is based on this experience which he gained while working with Harvard University.

Achievement motivation is very essential for the success of an **entrepreneur** or enterprise. Every employee should have some objective which he desires to achieve. Such desire for achievement acts as a **motivating factor**. According to McClelland, the need for achievement is the most important need. It can be used as motivating factor for economic progress of a nation and even for the success of an enterprise or entrepreneur. An entrepreneur or a manager has to put forward some objective before every employee and encourage the employee to achieve the same. To create the desire for achievement of objective is a way to motivate employee. In this way, achievement motivation is useful for the success of an enterprise/entrepreneur.



## ***UNIT 5***

### ***TYPES OF INDUSTRIES – SMALL SCALE – TINY – ANCILLARY – COTTAGE INDUSTRIES***

#### **INDUSTRY**

The production side of business activity is referred as industry. It is a business activity, which is related to the raising, producing, processing or manufacturing of products. The products are consumer's goods as well as producer's goods. Consumer goods are goods, which are used finally by consumers. E.g. Food grains, textiles, cosmetics, VCR, etc. Producer's goods are the goods used by manufacturers for producing some other goods. E.g. Machinery, tools, equipment's, etc. Expansion of trade and commerce depends on industrial growth. It represents the supply side of market.

#### **CLASSIFICATION / TYPES OF INDUSTRIES**

##### **✓ Primary Industry**

Primary industries work to extract raw materials from the land. They are essentially working with the earth in some way. Examples of this type are: mining, quarrying, forestry, fishing and agriculture. Primary industries are further classified as extractive and genetic industries.

##### **) Extractive industry**

It refers to the extraction or drawing out goods from the natural resources like land, water, air etc. and creation of utilities in them. It supplies raw materials to other types of industries. Mining, lumbering, hunting, fishing etc. are the examples of this sort of industry.

### ) **Genetic industry**

It is related to the growth and development of flora and fauna by multiplying a certain species of plants and breeding of animals. Plant nurseries, forestry, farming, animal husbandry, poultry etc. are the examples of genetic industry.

### ✓ **Secondary Industry**

Secondary industries make products using raw materials from the primary industries. Examples are construction, factories, assembly lines, etc. The industries, which produce finished goods by the use of materials and supplies taken from the primary industries are known as secondary industries. Such industries convert raw materials and semi raw materials into finished products by way of processing the materials, assembling components, constructing building products etc.

According to the process applied and the nature of the product, these industries are divided into the following two types.

### ) **Manufacturing industry**

Generally the term industry refers to the manufacturing industry. It is concerned to the production of goods by using raw materials or semi raw materials an input and also creates from utility in them. Production of sugar from sugarcane, petroleum products from the crude oil manufacturing vehicles by assembling various components etc. are some of the examples of this sort of industry. It is again divided into four types.

### ) **Analytical industry**

This industry relates to the analyzing and separating different components from a single materials. For example, crude oil processed and separated into petrol, diesel, kerosene etc.

### ) **Synthetic industry**

This industry relates to the putting of various raw materials together to make a final product. For examples, cement is produced by mixing concrete, gypsum, coal etc. together.

) **Processing industry**

An industry, which produces the final products by using raw materials and semi raw materials through different stages of production is known as processing industry. Textile industry, paper and sugar mills etc are some of the examples of this sort of industry.

) **Assembling industry**

It refers to that industry which assembles various component parts that are already manufactured to make a new product. Manufacturing vehicles, electric equipment etc. are some of the examples of this type of industry.

) **Construction industry**

The industries, which are concerned to the engineering, erecting and construction of building products are known as construction industries. They use materials produced by other industries like cement, iron rods, concrete, bricks etc. Their distinctive characteristic is that the products of such industries are not generally sold in the ordinary market but built at a certain place and transferred its ownership or it is constructed as the order of the customer at said site/place. Construction of bridges, roads, dams, canals, building etc are the examples of construction industry.

) **Service Industry**

Service industries are those industries, which do not produce physical goods but create utility services and sell them for a price. Nursing home services, film industries, traveling and lodging services etc. are the examples of service industries.

✓ **Tertiary Industry**

Tertiary industries provide a service. There are two types of tertiary industry:

) **profit-making**

those industries which make money. Examples include restaurants, cinemas, supermarkets, etc.

) **profit-utilising**

those industries which provide a service but do not make money. Examples include education, hospitals, emergency services, etc.

To have the profit-utilizing industries, it is important to have the profit making industries.

✓ **Quaternary Industry**

Essentially, quaternary industries can be considered new in the last 30 years, although one of the principles that led to the formation of a fourth classification is much older. Quaternary industry is a type which deals with information using technology (such as computers). Information has been required by industries since the Industrial Revolution, but the now-widespread use of computers to do this much more efficiently has made this an industry in its own right.

✓ **Quinary Industry**

Some consider there to be a branch of the quaternary sector called the quinary sector, which includes the highest levels of decision making in a society or economy. This sector would include the top executives or officials in such fields as government, science, universities, nonprofit, healthcare, culture, and the media.

## **SMALL-SCALE INDUSTRIES**

In Indian economy small-scale and cottage industries occupy an important place, because of their employment potential and their contribution to total industrial output and exports. Government of India has taken a number of steps to promote them. However, with the recent measures, small-scale and cottage industries facing both internal competition as well as external competition.

There is no clear distinction between small-scale and cottage industries. However it is generally believed that cottage industry is one which is carried on wholly or primarily with the help of the members of the family. As against this, small-scale industry employs hired labour.

Moreover industries are generally associated with agriculture and provide subsidiary employment in rural areas. As against this, small scale units are mainly located in urban areas as separate establishments.

### **DEFINITION**

The official definitions of a small scale unit are as follows:

#### **Small-Scale Industries**

These are the industrial undertakings having fixed investment in plant and machinery, whether held on ownership basis or lease basis or hire purchase basis not exceeding Rs. 1 crore.

#### **Ancillary Industries**

These are industrial undertakings having fixed investment in plant and machinery not exceeding Rs. 1 crore engaged in or proposed to engage in,

- ) The manufacture of parts, components, sub-assemblies, tooling or intermediaries, or
- ) The rendering of services supplying 30 percent of their production or services as the case may be, to other units for production of other articles.

#### **Tiny Units**

These refer to undertakings having fixed investment in plant and machinery not exceeding Rs. 23 lakhs. These also include undertakings providing services such as laundry, Xeroxing, repairs and maintenance of customer equipment and machinery, hatching and poultry etc. Located in towns with population less than 50,000.

### **Small-Scale Service Establishments**

These mean enterprises engaged in personal or household services in rural areas and town with population not exceeding 50000 and having fixed investment in plant and machinery not exceeding Rs. 25 lakhs.

### **Household Industries**

These cover artisans skilled craftsman and technicians who can work in their own houses if their work requires less than 300 square feet space, less than 1 Kw power, less than 5 workers and no pollution is caused. Handicrafts, toys, dolls, small plastic and paper products electronic and electrical gadgets are some examples of these industries.

## **CHARACTERISTICS OF SMALL-SCALE INDUSTRIES (Tiny, Cottage, Ancillary)**

### **Ownership**

Ownership of small scale unit is with one individual in sole-proprietorship or it can be with a few individuals in partnership.

### **Management and control**

A small-scale unit is normally a one man show and even in case of partnership the activities are mainly carried out by the active partner and the rest are generally sleeping partners. These units are managed in a personalised fashion. The owner is activity involved in all the decisions concerning business.

### **Area of operation**

The area of operation of small units is generally localised catering to the local or regional demand. The overall resources at the disposal of small scale units are limited and as a result of this, it is forced to confine its activities to the local level.

### **Technology**

Small industries are fairly labour intensive with comparatively smaller capital investment than the larger units.

Therefore, these units are more suited for economics where capital is scarce and there is abundant supply of labour.

### **Gestation period**

Gestation period is that period after which teething problems are over and return on investment starts. Gestation period of small scale unit is less as compared to large scale unit.

### **Flexibility**

Small scale units as compared to large scale units are more change susceptible and highly reactive and responsive to socio-economic conditions.

They are more flexible to adopt changes like new method of production, introduction of new products etc.

### **Resources**

Small scale units use local or indigenous resources and as such can be located anywhere subject to the availability of these resources like labour and raw materials.

### **Dispersal of units**

Small scale units use local resources and can be dispersed over a wide territory. The development of small scale units in rural and backward areas promotes more balanced regional development and can prevent the influx of job seekers from rural areas to cities.

## **OBJECTIVES OF SMALL SCALE INDUSTRIES**

The objectives of small scale industries are:

1. To create more employment opportunities with less investment.
2. To remove economic backwardness of rural and less developed regions of the economy.
3. To reduce regional imbalances.
4. To mobilise and ensure optimum utilisation of unexploited resources of the country.
5. To improve standard of living of people.
6. To ensure equitable distribution of income and wealth.

7. To solve unemployment problem.
8. To attain self-reliance.
9. To adopt latest technology aimed at producing better quality products at lower costs.

### **PROBLEMS FACED BY SMALL-SCALE INDUSTRIES**

The small-scale industries, despite their importance for the economy, are not contributing to their full towards the development of the country. It is because these industries are beset with a number of problems in regard to their operations. These problems are discussed below.

#### **Inadequate Finance**

A serious problem of these industries is in respect of credit, both for long-term and short-term purposes. This is evident from the fact that the supply of credit has not been commensurate with their needs associated with fixed and working capital. Very often the credit has not been timely. Its delayed availability has been a major factor in causing much of industrial sickness in this sector. The credit situation is particularly hard for the very small or tiny units.

#### **Difficulties of Marketing**

The small-scale industries also faced the acute problem of marketing their products. The problems arises from such factors as small scale of production, lack of standardization of products, inadequate market knowledge, competition from technically more efficient units, deficient demand, etc. Apart from the inadequacy of marketing facilities, the cost of promoting and selling their products too is high. The result is large and increasing subsidies which impose heavy burden on the government budgets.

#### **Shortage of Raw Materials**

Then there is the problem of raw materials which continues to plague these industries. Raw materials are available neither in sufficient quantity, nor of requisite quality, nor at reasonable prices. Being small purchasers, the producers are not



able to undertake bulk buying as the large industries can do. The result is taking whatever is available, of whatever quality and at high prices. This adversely affects their production, products, quality and costs.

### **Low-Level Technology**

The methods of production which the small and tiny enterprises use are old and inefficient. The result is low productivity, poor quality of products and high costs. The producers for lack of information, know very little about modern technologies and training opportunities which concerns them. There is little of research and development in this field in the country.

### **Competition from Large-Scale Industries**

Another serious problem which these industries face is that of competition from large-scale industries. Large-scale industries which use the latest technologies with access to many facilities in the country can easily out-price and out-sell the small producers. With the liberalization of the economy in recent years, this problem has become all the more serious.

For all these reasons, the small producers in the small-scale industries find themselves in a very precarious position.

## **ROLE OF SSI (SMALL SCALE INDUSTRIES) IN ECONOMIC DEVELOPMENT**

All industrial units with a capital investment of not more than Rs. one crore are, at present, treated as small-scale units. For ancillary units i.e., those supplying components etc., to large-scale industries and the export-oriented units, the limit of capital investment is also Rs. one crore. Industrial units with an investment of up to Rs. 25 lakhs belong to the tiny sector. It may be noted that capital investment covers only investment in plant and machinery, land and factory buildings are excluded. As per this classification all industries with capital investment higher than specified for small-scale units are large-scale industries.

The small-scale industries contribute a lot to the progress of the Indian economy. They have also a great potential for the future development of the economy. Let us discuss their role in detail.

### **Large Scope for Employment**

The small-scale industries provide large scope for employment on a massive scale. In 2001 the employment generated in this sector was 19.2 million. This is of great significance for a country like India which is a labour-surplus economy, and where labour-force is increasing at a very rapid rate. Moreover, the small-scale industries being labour-intensive they employ more labour per unit of capital for a given output compared to the large-scale industries. This is evident from the fact that the small-scale sector accounts for as much as 80% of the total employment in the industrial sector.

The small-scale industries are also specially suited for overcoming various types of unemployment in the rural and semi-urban areas. With little capital and other resources, mostly available locally, these industries can be set-up everywhere in the country, even at the very door-step of the workers. For this reason the small farmer and agricultural worker can combine their work in agriculture with that in these industries. Further, these industries provide part-time as well as full time work to rural artisans, women, and poor of the backward classes.

### **Large Production**

The small-scale industries also contribute a sizeable amount to the industrial output of the country. Out of the total output of the manufacturing sector, as much as 40% comes from these industries. And out of the total supplies of industrial consumer goods a major part originates in the small-scale sector. Almost all the products of this sector are in the nature of consumer goods, with a significant part consisting of luxury goods. The adequate availability of consumer goods plays an important role in stabilizing and developing the economy.

### **Large Exports**

Many products of the small-scale industries like handloom cotton fabrics, silk fabrics, handicrafts, carpets, jewelry, etc. are exported to foreign countries. Their share in the total exports is as much as 40%. In this way the small-scale sector makes a very valuable contribution to the accumulation of foreign exchange resource of the country.

### **Use of Latent (domestic) resources**

The small-scale industries used resources which are available locally which would otherwise have remained unused. These resources are, the hoarded wealth, family-labour, artisan's skills, native entrepreneurship, etc. Being thinly spread throughout the country, these resources cannot be used by large-scale industries which need them in big amounts and at a few specified places.

Besides using these resources, the small-scale industries provide an environment for the development of forces of economic growth. Using the hoarded wealth, these industries put into circulation savings which propel investments in the economy. These industries also provide opportunities to the small entrepreneurs to learn, to take risks, to experiment, to innovate and to compete with others.

### **Promoting Welfare**

The small-scale industries are also very important for welfare reasons. People of small means can organize these industries. This in turn increases their income-levels and quality of life. As such these industries help in reducing poverty in the country. Further, these industries tend to promote equitable distribution of income. Since income gets distributed among vast number of persons throughout the country, this help in the reduction of regional economic disparities.

Another advantage of great significance of these industries is the upgrading of the lives of the people in general. The freedom to work, self-reliance, self-confidence, enthusiasm to achieve and all such traits of a healthy nation can be built around the activities

performed in these industries. It also becomes possible to preserve the inherited skill of our artisans which would otherwise disappear. Moreover, many ills of urbanization and concentration inherent in large-scale industries can be avoided by setting up of small industries. All these benefits flow from the fact that these industries are highly labour-intensive, and that these can be set up anywhere in the country with small resources.

### **ANCILLARY UNIT**

An industrial unit which is engaged or is proposed to be engaged in the manufacture or production of parts, components, sub- assemblies, tooling or intermediaries, or the rendering of services and the undertaking supplies or renders or proposes to supply or render not less than 50 percent of its production or services, as the case may be, to one or more other industrial takings and whose investment in fixed assets in plant and machinery whether held on ownership terms or on lease or on hire purchase, does not exceed Rs 75 lacs.

### **DEVELOPMENT OF ANCILLARY INDUSTRY IN INDIA**

The programme of ancillarisation includes motivation of public and private sector units to offload production of components, parts, sub- assemblies, tools, intermediates, services etc to ancillary units. The programme of ancillary development has specific advantages for both for large as well as small industries and also for the total economy of the country. The large scale units have the advantages in the form of savings in investments, inventories, employment of labour, etc. and getting the items of the desired specifications, while the small scale units have the advantage of getting assured market for their products, availability of technical assistance and improved technology from the parent units. This programme also helps in overall economy of the country.

The strategy for ancillary development was originally outlined with the objective of:

1. Development of employment opportunities coupled with growth of entrepreneurship in different fields and different parts of the country.
2. Increase in productivity of the small scale units.
3. Growth of a low cost economy through reduction in costs brought by appropriate technology followed by ancillary units.
4. Development of a single or multi discipline expertise in different fields to bring about economies of scale.

### **FACTORS AFFECTING ANCILLARISATION**

Recently there has been a growing trend towards ancillarisation due to the series of rapid developments that have been taken place in the industrial structure in the country.

- ) The size of operations of industrial units has increased enormously; with the result that they are compelled to subcontract some of the items of production to ancillaries.
- ) It was more convenient for large scale manufactures to get the ancillary units to produce certain items for them. With the growing complexity of management, the large scale manufacturer can now concentrate on the problems of organization, marketing etc, rather than concentrating on availability of raw materials etc.
- ) Large scale manufacturers can economize on transport costs, storage space, etc, by contracting rather than by producing the same components themselves.
- ) It is economic to have some items manufactured by ancillary units because the cost of these items is higher when they are fabricated by large scale manufacturers.
- ) By outsourcing, large scale manufacturer is able to insulate him against fluctuations in the prices of raw materials over a period of time by entering into contracts for the supply of these items.

All these facts underscore the point that the development of ancillaries and their growing popularity have been well supported by economic and management considerations.

## **COTTAGE INDUSTRIES**

### **DEFINITION of 'Cottage Industry'**

A small-scale industry often operated out of a home, rather than out of a factory. Cottage industries are defined by the amount of investment required to start, as well as the number of people employed. They often focus on the production of labor-intensive goods.

Cottage industries or the small scale industries (SSIs) are usually the terms used for small business carried on at home involving less number of people as laborers who may or may not be the members of one family and sometimes, such a production or manufacturing of goods involves the traditional artisans and craftsmen who have inherited their work as an art form from their ancestors. Their various goods produced include dress fabrics such as khadi , wool, muslin, leather , silk, cotton etc, & many precious items like jewelry, ornaments, statues, idols, gems, stones, etc and also edible items like spices, oils, honey, etc have a huge demand not only within India but also in the foreign markets.

## **COTTAGE INDUSTRIES IN INDIA**

The real India resides in Rural India. Large portion of the rural population of India acting as one of the major sources of its economy is supported by Cottage Industries which is responsible for having hugely preserved the cultural heritage of India. Cottage Industry not only maintains a distinct identity of its own but also provides it with a unique platform to display its specialty when there is a tough competition faced in the international markets. It is only because of Cottage Industries the indigenous goods can fairly compete with the foreign goods due to the impression of Indian culture that makes them unique.

Since ancient times in the country such indigenous products have always been able to attract foreign traders and merchants. These helped India in successfully establishing trade relations with the Greek, Chinese and Arab merchants. Even during the period of medieval India, Indian craftsmen and artisans flourished well under the rule of the Turk, Afghan and Mughal dynasties. But from the advent of the East India Company, there was a drastic change in the running of these cottage industries. For an urge to have more luxury items at the cheapest prices, the European traders and merchants exploited the Indian peasants to great extent due to which these cottage industries witnessed a severe lash to their production. Later the Industrial revolution in the West also gave a fatal blow to their economy and led to considerable decline in the number.

Although the Gandhiji led 'Swadeshi' and the 'Boycott' movements helped in the promotion of khadi and other Indian fabrics, they could not help much in saving the decline in the manufacturing of the items that involved fine work as well as an artistic taste. Since 1947, after Indian independence there was a much-needed change that was introduced in the country for the improvement of the economic condition of India. As a consequence of which, the cottage industries were neglected again but later they became an integral part of India's five-year plans.

Since then today after several years of Indian independence, the contemporary condition of the small scale industries is under control more than ever before. They are operated with a joint co-operation of the public and the private sectors. Today every state in India has its own set of cottage industries whose art and craft items depict the traditional art form and the culture of that particular state.

Cottage Industries have proved to be well for those who were self-employed or unemployed by providing them with the means to earn their livelihood. Government of India on October 2, 1993 launched The "Prime Minister's Rodger Yolanda

Scheme", (PMRYS) for the educated but unemployed youth and for providing them with self-employment ventures in Industries, Services, Business, etc. Today it provides them with training in the Government recognized or government- approved institutions. Under the Ninth Five-year Plan Period, a target of training 90,500 persons was made out of which 68,525 persons were actually trained and 73,672 applications were sanctioned for providing financial assistance to the tune of Rs. 380.84 cores and an amount of Rs. 297.21 cores was actually dispersed to 59,578 applicants.

### **PROBLEMS FACED BY COTTAGE INDUSTRIES IN INDIA**

Cottage industries in India face dearth of capital and large quantity of labor, which force them to buy capital-saving techniques. Hence, there is an urgent need for implementation of techniques which not only enhances productivity but develops skills of the laborers and meets the requirements of the local market. Endeavors should be directed towards the development of technology so that labors can enjoy a decent lifestyle. Government should also provide subsidies for the growth of cottage industries especially in the preliminary stages.

The laborers of cottage industry often find themselves fighting against all odds at every stage of their business, be it buying the raw materials or promoting their products, arranging for capital or access to insurance covers, etc. To his utter misfortune he is exploited by all. Hence, it is important to ensure that the benefit of value added services reaches the worker on time.

Cottage industries are the victims when it comes to attracting the attention of modern industry. This calls for preservation and promotion of cottage industries through formulation of public policies directed at improving the industry both in context of income of laborers and technological aspects.



## **ORGANIZATIONS WORKING FOR THE BENEFIT OF COTTAGE INDUSTRY IN INDIA**

The well-known organization like Khadi and Village Industries Commission (KVIC) is working towards the development and endorsement of cottage industries in India. Other premier organizations are Central Silk Board, Coir Board, All India Handloom Board and All India Handicrafts Board, and organizations like Forest Corporations and National Small Industries Corporation are also playing an active role in the meaningful expansion of cottage industries in India.

Despite several attempts by these organizations, the Cottage Industry still face threat of extinction and will be surrounded by such threats if they continue receiving inadequate monetary and technological support from government.

## **DIFFERENCES BETWEEN THE SMALL-SCALE AND COTTAGE INDUSTRIES**

The differences between the small-scale and cottage industries are basically two:

- ) While small-scale industries are mainly located in urban centres as separate establishments, the cottage industries are generally associated with agriculture and provide subsidiary employment in rural areas and
- ) While small-scale industries produce goods with mechanized equipment employing outside labour, the cottage industries involve operations mostly by hand which are carried on primarily with the help of the members of the family.

## **IMPORTANCE OF SMALL SCALE INDUSTRIES**

Small-scale industries play an important role in industrial development of a country. It is all the more important in case of developing countries like India. The socio-economic transformation of India cannot be achieved without the development of small-scale

industries. It has been estimated that the small-scale industries contribute about 47 per cent of gross value of output manufactured in the country. Their importance can be further highlighted by noting that SSIs provided nearly five times the employment as compared to the large-scale sector. SSI is an important segment of the economy contributing substantially in the form of production, employment and export. Let us now discuss the various advantages of small-scale industries to highlight the importance of this sector. The main advantages are as follows:

### **Generation of Employment**

The small-scale industries are labour intensive i.e. the ratio of labour to investment is very high in their case. A given amount of capital invested in a small-scale industry provided more employment than the same amount of capital invested in a large-scale industry. Since capital is scarce and labour abundant in India, the generation of employment is the advantage that can be put forward for the support of small-scale industries in India. Moreover, these industries can be set-up at the very doorstep of workers and, thereby, provide work for the unemployed, more work for the underemployed and supplementary work for the seasonally unemployed workers.

### **Self Employment**

The small-scale industries offer almost limitless opportunities for self employment and hence are particularly suited to a developing country like India where there is a big problem of unemployment and underemployment.

### **Lesser Capital Requirement**

Another advantage of small-scale industries is that they need relatively lesser amount of capital than that required by large-scale industries. As capital is very scarce in an underdeveloped country like India, it may be used to greater advantage in small-scale sector.

### **Mobilisation of Capital**

Small-scale industries not only make economies in the use

of capital but also mobilise capital that would not otherwise have come into existence. Large-scale industries cannot mobilise the savings from rural areas, while this task can be effectively accomplished by setting up a network of small-scale industries in such areas.

### **Mobilisation of Entrepreneurial Skill**

Another advantage of small-scale industries is the lesser requirement of skill and expertise, which is also scarce in a developing country like India. Further, large-scale industries cannot utilise a number of entrepreneurs who are spread over small towns and villages of the country. On the other hand, small-scale industries can effectively mobilise such entrepreneurial skills.

### **Equitable Distribution of Income**

Small-scale industries secure a more equitable distribution of income and wealth. They are particularly suitable for the fulfillment of the objective of social justice. This is ensured because the ownership of small-scale industries is more widespread and they offer a much longer employment potential as compared to the large-scale industries. The development of large-scale industries tends to concentrate large incomes and wealth in a few hands.

### **Balanced Regional Development**

Small-scale industries utilise local resources, bring about dispersion of industries and promote balanced regional development. The growth of large-scale industries on the other hand have a tendency towards concentration of industries at a few places leading to many evil consequences such as overcrowding, pollution, creation of slums, etc. Concentration of industries at a few places is undesirable from the point of view of national defence also, as during war times, there is a greater risk of destroying different industries concentrated at one place.

### **Saving in Foreign Exchange**

Another advantages of the small-scale industries are the savings they offer in the scarce foreign exchange resources of the country. Firstly, small-scale industries do not require much foreign

exchange resources for their establishment and secondly, these industries can contribute to the foreign exchange resources of the country through adding to exports.

### **Quick Investment**

The time lag between the execution of investment project and the start of production of goods is relatively short in case of small-scale industries. These quick investment type of industries are particularly suitable for developing countries like India.

### **Beneficial to large-scale industries**

Large-scale industries can also prosper and develop, if small-scale industries manufacture and supply their small parts and semi-finished goods required by them. Infact, small-scale industries are a must for the development of large-scale industries.

### **Other advantages**

These industries also confer certain other social and political benefits such as overcoming territorial immobility, reduction of pressure on land, relieving congestion in urban areas, self-employment, etc.

## **ROLE OF SMALL SCALE INDUSTRIES IN INDIA**

Small-scale and cottage industries have been playing an important role in Indian economy in terms of employment generation and growth. It is estimated that this sector has been contributing about 47 per cent of the gross value of output produced in the manufacturing sector and the generation of employment by the small-sector is more than five times to that of large-scale sector. The following are some of the important roles played by small-scale industries in India:

### **Number of Units**

Total number of registered small-scale and cottage units has been increasing rapidly from 16,000 in 1950 to 36,000 in 1961 and 8.53 lakh units in 1985-86 to 14.96 lakh units in 1991-92. Moreover, there were about 5.84 lakh unregistered small-scale units in India. In 2000-01 the total number of small-scale and cottage

units further increased to 33.7 lakh. But as per the census of SSI units, about 30 to 40% of these registered units might be non-functional. The Second All India Census of registered small-scale industrial units was conducted by Small Industries Development Organisation in 1987-88. Findings of the census also give added empirical support to the generally accepted hypothesis about the distinct characteristics of the SSI sector compared with those of the large and medium sector, namely lower capital base, lower capital/labour ratio, lower productivity of labour and higher productivity of capital and lower wage rates. These small-scale industries are also producing various types of commodities starting from simple consumer goods to the manufacture of sophisticated electronic goods.

### **Employment Generation**

Small-scale industries are labour-intensive and thus are generating a large number of employment opportunities. Total employment generated by these small-scale industries has increased from 39.7 lakhs in 1973-74 to 96 lakhs in 1985-86. Employment of the small-scale sector has again increased from 129.8 lakh in 1991-92 to 219.7 lakh in 2004-05, showing an increase of about 4% over the previous year.

### **Investment**

Investment in the small-scale sector has been increasing at a faster rate. As per the statistics made available by SIDO, total amount of investment in the small-scale units of India has increased significantly from Rs. 2233 crores in 1972-73 to Rs. 4431 crores in 1978-79 and then to Rs. 14,730 crores in 2004-05. Fixed investment per employee which was Rs. 6.4 thousand in 1972 as per SSI census gradually rose to Rs. 92.07 thousand in 2004-05 as per the results of Annual Survey of Industries (ASI).

### **Output**

Total production of the small-scale units has increased from Rs. 7200 crores in 1973-74 to Rs. 57,100 crore in 1985-86. The value of output of the SSI sector in 2004-05 is at Rs. 7,89,620

crores showing an increase of 10.2% over the output of Rs. 5,72,887 crores in 1999.

### **Contribution to Exports**

The contribution of SSI sector towards export has been increasing at a faster rate. The value of exports of the products produced by the small-scale sector has increased from Rs.393 crore in 1973-74 to Rs. 9,100 crore in 1990-91 and then to Rs. 68,280 crore in 2004-05. Again in dollar terms, the value of exports from SSI sector has also increased from Dollar 8.87 billion in 1993-94 to Dollar 15.18 billion in 2004-05. The share of export from small-scale sector in the total export has increased from 9.6% in 1971-72 to 42% in 2004-05.

### **Equitable Distribution of Income**

Small-scale and cottage industries has been resulting more equitable distribution of national income and wealth. This is mainly due to the fact that the ownership of small-scale industries is quite widespread as compared to large-scale industries and small-scale sector is having a higher employment potential than that of large-scale sector.

### **Mobilisation of Capital and Entrepreneurial Skill**

Small-scale industries can mobilise a good amount of savings and entrepreneurial skill from rural and semi-urban areas which remained untouched from the clutches of large-scale sector. Thus, a huge amount of latent resources are being mobilised in the SSI sector for the industrial development of the country.

### **Regional Dispersal of Industries**

Small-scale industries are playing an important role in dispersing the industrial units of the country in the various parts of the country. As the large-scale industries are mostly located in some states like Maharashtra, West Bengal, Gujarat, Tamil Nadu, thus dispersal of SSI units throughout the country can achieve the balanced pattern of industries development in the country.

### **Better Industrial Relation**

The small-scale industries are maintaining a better

industrial relations between employers and employees and thus can lessen the frequency of industrial disputes. But the large-scale industries are facing the problems of strikes and lockouts and hence good industrial relations in these industries are very difficult to maintain. Thus, the loss of production and mandays are comparatively less in small-scale sector.

It is due to the above mentioned factors the growth rate of small-scale industrial sector has remained faster in terms of its number, employment and output.

### **PROBLEMS OF SMALL SCALE INDUSTRIES**

Small scale industries plays a very vital role in the economic development of our country. This sector can stimulate economic activity and is entrusted with the responsibility of realising various objectives like generation of more employment opportunities with less investment, reducing regional imbalances etc. Small-scale industries are not in a position to play their role effectively due to various constraints. The various problems faced by small-scale industries are as under:

#### **Inefficient Labour**

Labour is major but active player in small-scale industries. But they lack training and developmental opportunities in small-scale sector. So they are unable to contribute as expected from them. Since size of small units is not always optimal so they are also unable to understand the importance of training and development. Level of education of workers working in small-scale sector is also low and they fail to cope up with the challenges of modern production system. Professionals and technocrats are also not interested to join small scale as this sector is not ready to compensate them properly. So small entrepreneurs are facing the constraint of inefficient labour force and unable to improve their productivity.

#### **Defective System of Supply of Raw Materials**

Small-scale industries are facing the problem of short

supply of raw materials. Small size and weak financial position also force them to unutilize the services of middlemen to get raw materials on credit from suppliers. Canalising agencies like state level small industry corporations, STC, MMTC and Handloom Development Corporations are not providing much help in arranging adequate supply of raw materials at right price in right time. So they fail to utilise their full production capacity and it also increases their cost of production which adversely affect their competitive strength in the market.

### **Absence of Credit Facility**

Historically, SSIs have had privileged access to bank finance through cheap priority sector lending. Since interest rates were fixed lower for them than the market rates, they did not reflect the higher risks and costs of investing in small borrowers. SSIs also benefited from the subsidies implicit in the tax standards for provisioning for bad and doubtful debts. The deregulation of interest rates in present scenario forces them to pay more. The bench mark rate of interest for banks is the prime lending rates – a higher rate reflects the risks of lending to individual borrowers. Consequently, interest rates have risen sharply for small-scale units. The priority sector lending scheme hardly softens the burden since not more than Rs. 2 lakh can be borrowed under this scheme. Besides, SSIs are also unable to generate resources as they lack systematic way to communicate their work to the capital markets and muster support from the intermediaries. Due to poor financial image, they generally fail to get their credit facility at reasonable costs.

### **Lack of Machinery and Equipment**

SSIs are also facing the problem of inferior supply of machinery and equipments etc. Most of companies which are engaged in production of plants and machineries are meant for medium and large scale companies. Only selected companies or few producers are engaged in the production of plant, machineries and equipments for small-scale sector. So they generally charge high price for their capital goods supplies from small-scale units.



Besides, bargaining power of SSIs is not so much and they have to work with available machinery and equipments in the market. They have also been forced to use second-hand machines. It also affects the production performance of SSIs.

### **Huge Number of Bogus Small Firms**

Government policy favours SSIs in terms of concessions, subsidy and incentives. This has prompted the so-called entrepreneurs to develop bogus firms on paper to avail government subsidies and incentives. It makes impossible for the genuine firms to get due concessions, subsidies etc. from the Government. They indirectly help the medium and large-scale enterprises in availing raw materials etc. at reduced rates. Availability of cheap finance also encourages the bogus firms to operate in the small-scale sector.

### **Unsuitable Location**

Selection of location for the development of plants etc. also creates problem before the SSIs. The choice of location is generally governed by different consideration like availability of infrastructural facility, the cost and tenure of acquisitions, availability of labour and the proximity of markets. Small entrepreneurs are not properly trained in deciding about suitable location. Actually, they select their location due to other consideration like availability of cheap land, family business, sentimental attachment to their traditional ancestral property etc.

### **Competition from Large Scale Units**

SSIs are facing the problem of competition from their other counterparts – medium and large scale industries. Since 1991, a large number of items reserved for small industries are now freely importable. The Government has also announced that it is considering a phased removal of quantity restrictions on consumer goods imports over a period of five years. Medium and large-scale industries are also producing goods, which are competing with the goods being produced by the SSIs. So in practice, SSIs are unable to complete with large-scale units as their size is small and products are not cost effective.

### **Obsolete Technology**

SSIs lack latest technology as they do not have any technological support from the Government and other technological institutes and laboratories. But in practice, technology alone can ensure quality and high level of productivity. R & D efforts are costly venture and SSIs do not have resources to finance these programmes individually and internally. Small enterprises have a very limited choice with regard to foreign collaboration and technological support too. Their potential partners overseas have a better reputation for innovation but the investment climate in India is not yet hospitable enough to attend them in small-scale sector. Special steps have not yet been taken to address the issues of collaboration between Indian and overseas small industries.

### **Absence of Organised Marketing Facility**

Small-scale industries are unable to spend huge amount on the development of marketing facilities as they lack resources. Lack of standardisation, poor design and quality, lack of precision and proper finish, absence of after-sale service, ignorance about potential market, financial weakness are some of the problems in their selling process.

### **Poor Recoveries**

It is general practice for buyers to avail credit facility from sellers. SSIs lack bargaining power in dictating their terms to the potential buyers for their products. Provision for credit facility with regard to sales is forced upon the SSIs by potential purchasers. Initially, credit period ranges between one month to three months. But purchasers generally avoid timely payments. A situation has now developed in which buyers do not pay their dues to SSIs for more than 12 months. It created working capital problems before the SSIs.

Reg. No: \_\_\_\_\_

Sub Code: CENT1

**CERTIFICATE COURSE IN ENTREPRENEURSHIP  
(COMMERCE) EXAMINATION APRIL 2013.**

Non – Semester

**ENTREPRENEURSHIP AN INTRODUCTION**

(For those who joined in July 2012 onwards)

Time: Three hours

Maximum: 100 marks

**SECTION A- (10x1=10 marks)**

Answer ALL questions.

**Choose the correct answer:**

1. \_\_\_\_\_ entrepreneur is one who introduces new goods, discovers new market and reorganizes the enterprise

- (a) Imitative      (b) Innovating      (c) Fabian      (d) Drone

2. \_\_\_\_\_ operates from within the organization

- (a) Promoter      (b) Directors      (c) Partners      (d) Intrapreneurs

3. Selection of entrepreneurs comes under \_\_\_\_\_ phase

- (a) Pre-training      (b) Evaluation      (c) Post-training      (d) Training

4. Entrepreneurial behavior is measured using \_\_\_\_\_ dimension

- (a) Planning      (b) Expansion      (c) Achievement      (d) All the above

5. \_\_\_\_\_ percent of the employment is generated in the enterprise to Women

- (a) 61      (b) 51      (c) 41      (d) 71

6. In \_\_\_\_\_ five-year plan integration of women in development was started

- (a) 12      (b) 9      (c) 3      (d) 4

7. Maslow's theory is based on the \_\_\_\_\_

- (a) Desires      (b) Human needs      (c) Wants      (d) Demand

8. Educational background is a \_\_\_\_\_ factor in motivation

- (a) Internal      (b) compelling      (c) External      (d) Facilitating

9. The industries which are set up by the artisans in their one house are called \_\_\_\_\_ industries

- (a) Cottage      (b) Small scale      (c) Tiny      (d) Ancillary

10. \_\_\_\_\_ industries are less capital intensive and more inclined to consumer product

- (a) Cottage      (b) Ancillary      (c) Small scale      (d) Tiny

### **SECTION B**

Answer ALL questions choosing either (a) or (b).

11. (a) Distinguish between entrepreneur and manger.

(or)

(b) Describe the types of entrepreneur.

12. (a) explain the need of EDP.

(or)

(b)What is the objectives of EDP.

13. (a) Explain the concept of women entrepreneurs.

(or)

(b Describe the function of women entrepreneurs.

14. (a) Explain Kakinada experiment.

(or)

(b)Explain achievement motivation.

15. (a) Explain features of ancillary industries.

(or)

(b) Explain cottage industries with examples.

### **SECTION C**

Answer ALL questions choosing either (a) or (b)

16. (a) Describe the evolution of the concept of entrepreneurs.

(or)

(b) Define entrepreneur. Comment “Entrepreneurs are made not born”.

17. (a) What do you mean by EDP? Explain the phases of EDP.

(or)

(b) Describe the problems of carrying out EDP.

18. (a) What is meant by women entrepreneur? Explain the problems of women entrepreneurs.

(or)

(b) Discuss the activities of development of women entrepreneurs.

19. (a) Discuss in detail about motivational factors.

(or)

(b) Define motivation. Explain Maslow's Hierarchy and McClland's theory.

20. (a) Discuss the features of types of industries.

(or)

(b) Explain small scale and tiny industries.

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Code No. : 6269

Sub Code: CENT 1

**CERTIFICATE COURSE IN ENTREPRENEURSHIP  
EXAMINATION, APRIL 2015.**

Non-Semester

**ENTREPRENEURSHIP AN INDRODUCTION**

(For those who joined in July 2012 onwards)

Time: Three hours

Maximum: 100 Marks

**SECTION A – (10 x1 = 10 marks)**

**Answer ALL questions.**

**Choose the correct answer.**

1. \_\_\_\_\_ depends on the entrepreneur that is the owner.

- (a) Promoter                      (b) Director                      (c) Intrapreneur                      (d) Partner

2. \_\_\_\_\_ are the entrepreneurs who essentially work alone and if needed Employ few employees.

- (a) Solo operators                      (b) Inventors                      (c) Active partners                      (d) Buyers

3. Selection of wrong trainees leads to \_\_\_\_\_ success rate.

- (a) Normal                      (b) Low                      (c) High                      (d) Medium

4. Need for achievement among the entrepreneurs is also called as \_\_\_\_\_ evaluation.

- (a) Performance              (b) Qualitative              (c) Quantitative              (d) Achievement

5. \_\_\_\_\_ Five-year plan proposed for promoting female employment In women owned industries

- (a) 6                              (b) 8                              (c) 7                              (d) 5

6. Expand NAYE \_\_\_\_\_

- (a) National Alliance of Young Entrepreneurs  
(b) National Alliance of Youth Entrepreneurs  
(c) National Act of Young Entrepreneurs  
(d) National Act of Youth Entrepreneurs

7. Kakinada experiment was started in \_\_\_\_\_

- (a) Jan. 1964                      (b) March 1964                      (c) March 1984                      (d) Jan. 1984

8. Demand for a product is \_\_\_\_\_ factor in motivation of an entrepreneur.

- (a) Internal                      (b) environmental                      (c) Behavioral                      (d) Industrial

9. \_\_\_\_\_ is an example of ancillary industries.

- (a) Tractors                      (b) Bakeries                      (c) Breaks                      (d) Iron and steel

10. \_\_\_\_\_ industries use low weight raw materials and produce Semi-finished products

- (a) Tiny                      (b) Ancillary                      (c) Cottage                      (d) Consumer

**SECTION B - (5 x 6 = 30 marks)**

**Answer ALL question, choosing either (a) or (b).**

11. (a) Define intrapreneur. How will you distinguish intrapreneur and Entrepreneur?

Or

(b) Explain the characteristics of successful entrepreneur.

12. (a) What are the objectives of EDP?

Or

(b) Explain the phases of EDP.

13. (a) Write short notes on growth of women entrepreneurs.

Or

(b) Describe the functions of women entrepreneurs.

14. (a) What are the factors that motivate people to go into business?

Or

(b)How achievement motivation can be obtained?

15. (a)What are the advantages of small scale industries?

Or

(b)Explain merits and demerits of cottage industries.

**SECTION C - (5 x 12 = 60marks)**

**Answer ALL questions, choosing either (a) or (b).**

16. (a)Describe the evolution of the concept of entrepreneur.

Or

(b)Describe the functions and type of entrepreneur.

17. (a) Describe the problems faced by EDP.

Or

(b) “Entrepreneurs are made, not born” Comment and give reasons for Your views.

18. (a) Explain the concept of women entrepreneurs.

Or

(b) What is meant by women entrepreneur? Explain the problems of Women Entrepreneur.

19. (a) Explain Kakinada experiment.

Or

(b) Define motivation. Explain Maslow’s hierarchy and McClelland’s Theory.

20. (a) Explain in detail types of industries.

Or

(b) Explain tiny and ancillary industries with examples.

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