

STUDY MATERIAL

COURSE : BCOM
SEMESTER : VI
SUBJECT : ENTREPRENEURSHIP DEVELOPMENT
UNIT : II
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FACTORS AFFECTING ENTREPRENEUR GROWTH:

INTRODUCTION

The emergence and development of entrepreneurship is not a spontaneous one but a dependent phenomenon of economic, social, political, psychological factors often nomenclatured as supporting conditions to entrepreneurship development. These conditions may have both positive and negative influences on the emergence of entrepreneurship. The following are the factors affecting entrepreneur growth.

Economic Factors:

1. Capital:

Capital is one of the most important prerequisites to establish an enterprise. Availability of capital facilitates the entrepreneur to bring together the land of one, machine of another and raw material of yet another to combine them to produce goods. With an increase in capital investment, capital output ratio also tends to increase. This results in increase in profit which ultimately goes to capital formation. This suggests that as capital supply increases, entrepreneurship also increases.

2. Labour:

The quality rather than quantity of labour is another factor which influences the emergence of entrepreneurship. It is noticed that cheap labour is often less mobile or even immobile. And, the potential advantages of low-cost labour are negated by the deleterious effects of labour immobility. Division of labour which itself depends upon the size of the market leads to improvement in the productive capacities of labour due to an increase in the dexterity of labour.

3. Raw Materials:

The necessity of raw materials hardly needs any emphasis for establishing any industrial activity and therefore, its influence in the emergence of entrepreneurship. In the absence of raw materials, neither any enterprise can be established nor can an entrepreneur be emerged. In some cases, technological innovations can compensate for raw material inadequacies.

4. Market:

The fact remains that the potential of the market constitutes the major determinant of probable rewards from entrepreneurial function. The size and composition of market both influence entrepreneurship in their own ways.

Practically, monopoly in a particular product in a market becomes more influential for entrepreneurship than a competitive market. The disadvantage of a competitive market can be cancelled, to some extent, by improvement in transportation facilitating the movement of raw material & finished goods and increasing the demand for produced goods.

Non Economic Factors:

Sociologists & psychologists advocate that economic factors may be necessary conditions, but they are not sufficient conditions for the appearance of entrepreneurship. They view that the influence of economic factors on entrepreneurial emergence largely depends upon the existence of non-economic factors, which are as follows.

Social Conditions:

1. Legitimacy of entrepreneurship:

The proponents of non-economic factors give emphasis to the relevance of a system of norms and values within a socio-cultural setting for the emergence of entrepreneurship. The social status of those playing entrepreneurial role has been considered one of the most important contents of entrepreneurial legitimacy. To increase the legitimacy of entrepreneurship, some

scholars have proposed the need for a change in the traditional values, which are assumed to be opposed to entrepreneurship.

We do also believe that entrepreneurship will be more likely to emerge in setting in which legitimacy is high, but, there are others too, who took the opinion that entrepreneurship can emerge even when legitimacy is low.

2. Social Mobility:

Social mobility involves the degree of mobility, both social and geographical, and the nature of mobility channels within a system. The opinion that the social mobility is crucial for entrepreneurial emergence is not unanimous. Some hold the view that a high degree of mobility is conducive to entrepreneurship.

3. Marginality:

A group of scholars hold a strong view that social marginality also promotes entrepreneurship. They believe that individuals or groups on the perimeter of a given social system or between two social systems provide the personnel to assume the entrepreneurial roles. The two preceding factors-the legitimacy of entrepreneurship and social mobility largely determine the influence of marginality on entrepreneurship.

4. Security:

Several scholars have advocated entrepreneurial security as an important facilitator of entrepreneurial behaviors. We also regard security to be a significant factor for entrepreneurship development. This is reasonable too because if individuals are fearful of losing their economic assets or of being subjected to various negative sanctions, they will not be inclined to increase their insecurity by behaving entrepreneurially

Psychological factors:

1. Need Achievement:

According to McClelland, a constellation of personality characteristics which are indicative of high need achievement is the major determinant of entrepreneurship development. Therefore, if the average level of need achievement in a society is relatively high, one would expect a relatively high amount of entrepreneurship development in that society.

2. Withdrawal of Status Respect:

Hagen believes that the initial condition leading to eventual entrepreneurial behaviour is the loss of status by a group. He postulates that four types of events can produce status withdrawal.

- ❖ The group may be displaced by force
- ❖ It may have its valued symbols denigrated
- ❖ It may drift into a situation of status inconsistency and
- ❖ it may not be accepted the expected status on migration in a new society

Entrepreneurship Development Programme:

An Entrepreneur is the person with a vision, with the drive and with the ability to bear risk. Hence, it is said that an economy is an effect for which entrepreneurship is the cause. Entrepreneurship development has, therefore become a matter of great concern in all developed and developing countries all over the world.

Need for EDPs

A well known behavioural scientist David McClelland at Harvard University made an interesting investigation 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 was the answer to this question. It was need to achieve to motivate 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 one of the prosperous district of Andhra Pradesh in India in collaboration with Small Industries Extension and Training Institute, 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 goal. One of the significant conclusions of the experiment was that the suitable training can

provide the necessary motivation to the entrepreneurs. The achievement motivation had a positive impact on the performance of entrepreneurs

Objectives of EDPs:

The important objectives of the Entrepreneurship Development Programmes (EDPs) are as follows

- ❖ Develop and strengthen their entrepreneurial quality ,i.e., motivation or need for achievement.
- ❖ Analyse environmental set up relating to small industry and small business.
- ❖ Select product
- ❖ Formulate project for the product
- ❖ Understand the process and procedure involved in setting up a small enterprise.
- ❖ Know the sources of help and support available for starting a small-scale industry.
- ❖ Acquire the necessary managerial skills required to run a small enterprise.
- ❖ Know the pros and cons in becoming an entrepreneur.
- ❖ Appreciate the needed entrepreneurial discipline.

Other important objectives

- ❖ Let the entrepreneur himself/herself set or reset objectives for the business and strive for their realisation
- ❖ Prepare him/her to accept the uncertainty involved in running a business.
- ❖ Enable him/her to take decisions.
- ❖ Enable to communicate clearly and effectively.
- ❖ Develop a broad vision about the business.
- ❖ Develop passion for integrity and honesty.
- ❖ Make him learn compliance with law.

Course Contents of EDPs

The course contents of an EDP are selected in line with the objectives of the EDPs. The training programme is usually to six weeks duration. It consists of the following six inputs.

1. General Introduction

First, the participants are exposed to a general knowledge of entrepreneurship such as factors affecting small-scale industries, the role of entrepreneurs in economic development, entrepreneurial behaviour and the facilities available for establishing small-scale enterprises.

2. Motivation Training:

The training inputs under this aim at inducing and increasing the need for achievement among the participants. Efforts are made to inject confidence and positive attitude and behaviour among the participants toward business. It ultimately tries to make the participants to start their own business enterprise after the completion of the training programme. In order to further motivate the participants, sometimes successful entrepreneurs are also invited to speak about their experience in setting up and running a business.

3. Management Skills:

Running a business, whether large or small, requires the managerial skill. Since a small entrepreneur cannot employ management experts to manage their business, they need to be imparted basic and essential managerial skills in the functional areas like finance, production and marketing. Knowledge of managerial skills enables an entrepreneur to run their enterprise smoothly & successfully.

4. Support System and Procedure:

The participants also need to be exposed to the support available from different institutions and agencies for setting up and running small-scale enterprises. This is followed by acquainting them with procedure for approaching them, applying and obtaining support from them.

5. Fundamentals of project Feasibility study:

Under this, the participants are provided guidelines on the effective analysis of feasibility or viability of the particular project in view of marketing, organization, technical, financial and social aspects. Knowledge is also given how to prepare the “Feasibility Report” for certain products.

6. Plant Visits

In order to familiarize the participants with real life situations in small business, plant visits are also arranged. Such trips help the participants know more about an entrepreneur's behaviour, personality, thoughts and aspirations. These influence them to behave accordingly to run the enterprise smoothly & successfully

Phases of EDPS

An entrepreneurship development programme consists of the following three phases.

1. Pre-training phase:

The activities and preparations required to launch the training programme come under this phase. This phase accordingly includes the following.

- ❖ Selection of entrepreneurs
- ❖ Arrangement of infrastructure
- ❖ Tie-up of guest faculty for the training purposes.
- ❖ Arrangement for inauguration of the programme.
- ❖ Selection of necessary tools, techniques to select the suitable entrepreneurs.
- ❖ Formation of selection committee for selecting trainees.
- ❖ Arrangement for publicity media and campaigning for the programme.
- ❖ Development of application form
- ❖ Finalisation of training syllabus.
- ❖ Pre-potential survey of opportunities available in the given environmental conditions.

2. Training Phase:

The main objective of this phase is to bring desirable change in the behaviour of the trainees. Accordingly, a trainer should see the following changes in the behaviour of the trainees

- ❖ Is he/she attitudinally tuned very much towards his/her proposed project idea?
- ❖ Is the trainee motivated to plunge into entrepreneurial career and bear risks involved in it?
- ❖ Is there any perceptible change in his entrepreneurial attitude, outlook, skill, role, etc?
- ❖ How should he/she behave like an entrepreneur?
- ❖ What kinds of entrepreneurial traits the trainee lacks the most?
- ❖ Whether the trainee possesses the knowledge of technology, resources and other knowledge related to entrepreneurship?
- ❖ Does the trainee possess the required skill in selecting the viable project, mobilizing the required resources at the right time?

Having trained the trainees, the trainers need to ask themselves as to how much, and how far the trainees have moved in their entrepreneurial pursuits.

3. Post-training Phase (Follow Up)

The ultimate objective of the EDP is to prepare the participants to start their enterprises. This phase, therefore, involves assessment to judge how far the objectives of the programme have been achieved. This is called Follow-up. Follow-up indicates our past performance; drawbacks, if any, in our past work and suggests guidelines for framing future policies to improve our performance.

The purpose behind the EDP follow-up is to

- ❖ Review the pre-training work
- ❖ Review the process of training programme and
- ❖ Review past training approach.

Key areas to be concentrated for promoting entrepreneurship:

1. Educational system
2. Legal Provisions
3. Infrastructural facilities
4. Institutional assistance
5. Financial support
6. Procedural formalities
7. Communication Net work
8. Technological support.

Basic Issues:

1. Structure & Composition of EDP
2. Areas of operations.

3. Fixing of priorities
4. Follow up

Training of trainers:

1. EDP for trainers and consultants
2. Orientation of works through inter Institutional Groups (IIG) at state level.
3. Management counseling for Entrepreneurial development.

Financing patterns:

1. 50% cost by IDBI from TAF
2. Creation of self sustainable programmes.
3. Creation of special funds at Industries level

Operational Problems:

1. Inability to identify the institution needs.
 2. Lack of institutional commitment
 3. Non availability of various inputs
 4. All planned training
 5. Lack of concern over entrepreneurs
 6. Lack of identification methods
 7. Limited man power support.
 8. Lack of standard training materials
 9. Lack of understanding the task.
 10. Perpetual ambiguity.
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Evaluation of EDP

EDPs have been considered as an effective instrument for developing entrepreneurship in the countryside. Hundreds of EDPs are conducted by some 686 organisations to impart entrepreneurial training to participants in thousands. As mentioned earlier, the main objective of EDPs is held to be enterprise creator. Hence, it seems necessary to see whether the objective of EDPs is fulfilled or not. In simple words, there is a need to have a retrospective look into how many participants have actually started their own enterprises after completing the training. This calls for evaluation of EDPs.

One way of evaluating the EDPs is to assess their effectiveness in developing ‘need for achievement’ among the entrepreneurs. This is also called ‘the qualitative evaluation’ of EDPs. The behavioural scientists used the following criteria to assess the effectiveness of EDPs in motivating the entrepreneurs.

- Activity level of the respondents
- New enterprise established
- Total investments made
- Investments in fixed assets made
- Number of people employed
- Number of jobs created
- Increase in profit
- Increase in sales
- Quality of product / service improved
- Quicker repayment of loans

In other behavioural experiments, the impact of EDPs is measured with the help of indices relating to the entrepreneurial behaviour. The entrepreneurial behaviour is measured on the following dimensions.

- Planning Orientation
- Achievement Orientation
- Expansion Orientation
- Management Orientation

SUMMARY

- Entrepreneurs emergence and development depend upon the availability of certain factors also called supportive conditions. These factors are broadly classified into economic and non-economic factors.
- While economic factors consist of capital, labour, raw materials and market, non-economic factors include social and psychological factors. The government actions also influence the emergence and development of entrepreneurship in an economy.

- The need of achievement is one of the important entrepreneurial traits/competencies. The main objectives of EDPs has been enterprise creation.
- The course contents of EDPs, accordingly include inputs like introduction to entrepreneurship and enterprise, motivation, managerial skills, support system, project feasibility study and plant visits.
- EDP process involves three phases: Pre-training phase, Training phase, and Post-Training phase.
- The success of EDPs is evaluated in terms of the number of trainees launched their ventures after the completion of training programme and changes in the entrepreneurial behaviour, i.e., development of achievement motivation among the trainees.

SUGGESTED QUESTIONS:

OBJECTIVE TYPE QUESTIONS:

1. ----- is the third phases of EDP
2. Pre-Training phase of EDP consists of
 - a. Selection of entrepreneurs b. Evaluation of process of training programme
 - b. Review of past training approach d. none
3. Need achievement will come under ----- factors affecting entrepreneurship
4. Initial course contents of EDP is -----

SHORT TYPE QUESTIONS:

1. What do you mean by EDPs? Explain the need for and objectives of EDP
2. Discuss the course contents of EDPs
3. “EDP is the process of “grooming entrepreneurs”. Explain.

LONG TYPE QUESTIONS:

1. What are the factors affecting entrepreneurship?
2. Explain the evaluation of EDP
3. Describe the different phases of EDP.

LESSON-2

OBJECTIVES

- To learn about the institutions providing various services to entrepreneurs.

INSTITUTIONAL SUPPORT TO ENTREPRENEURS

INTRODUCTION

Starting a business or industrial unit-say, enterprise in short-requires various resources and facilities. Small scale enterprises, given their small resources, find it difficult to have their own. Finance has been an important resource to start and run enterprise. Hence finance is considered as “life-blood” for an enterprise.

Admittedly, finance is an important resource but not the only condition to run an enterprise. In order to start any economic activity, a minimum level of prior built-up of infrastructural facilities is needed. Financial assistance and concessions cannot, in any case, adequately compensate for the deficiencies of infrastructure such as transport and communication. This is one of the reasons why industries have not been developing in backward areas in spite of financial assistance and concessions given by the governments to the entrepreneurs to establish industries in backward areas.

The following are the various kinds of support and facilities provided by various institutions to the entrepreneurs to help them establish industries.

National Small Industries Corporation Ltd (NSIC)

The national Small Industries Corporation Ltd (NSIC) an enterprise under the union ministry of Industries, was set up in 1955 to promote, aid and foster the growth of small scale industries in the country. Its main functions are

- To provide machinery on hire-purchase scheme to small scale industries

- To provide equipment leasing facility
- To help in export marketing of the products of small scale industries
- To help in development and upgradation of technology and implementation of modernization programmes of small scale industries

Small Industries Development Organisation (SIDO)

Small Industries Development Organisation (SIDO) is a subordinate office of the Department of SSI & ARI. Development Commissioner is the head of the SIDO. He is assisted by various directors and advisers in evolving and implementing various programmes of training and management consultancy, industrial investigation, possibilities for development of different types of small-scale industries, development of industrial estates, etc. The main functions of SIDO are

- Functions relating to Co-ordination
- Functions relating to Industrial Development
- Functions relating to extension.

Small Scale Industries Board (SSIB)

The government of India constituted a Board, namely, Small Scale Industries Board (SSIB) in 1954 to advise on development of small scale industries in the country. The SSIB is also known as Central Small Industries Board.

Hence to facilitate Co-ordination and inter-institutional linkages, the Small Scale Industries Board has been constituted. It is an apex advisory body constituted to render advice to the Government on all issues pertaining to the development of small scale industries

State Small Industries Development Corporations (SSIDC)

The State Small Industries Development Corporations (SSIDC) were set up in various states under the companies Act, 1956, as State Government undertakings to cater to the primary developmental needs of the small, tiny and village industries in the State/ Union Territories under their jurisdiction. Its functions are as follows.

- To procure and distribute scarce raw materials.
- To supply machinery on hire purchase system
- To provide assistance for marketing of the products of small scale industries.

Small Industries Service Institutes (SISIs)

Small Industries Service Institutes (SISIs) are set up to provide consultancy and training to small entrepreneurs-both existing and prospective. Its main functions are

- To serve as interface between Central and State Governments
- To render technical support services
- To conduct Entrepreneurship Development Programmes.
- To initiate promotional programmes

District Industries Centres (DICS)

This programme was started by 1978 with a view to provide integrated administrative framework at the district level for promotion of small-scale industries in rural areas.

Its main functions are

- To prepare an action plan to effectively implement the schemes identified.
- To appraise the worthiness of the various proposals received from entrepreneurs.
- To undertake product development work appropriate to small industries.
- To assist the entrepreneurs in marketing their products and assess the possibilities of ancillarisation and export promotion of their products.

Industrial Estates:

Industrial estates are yet another institutional measure to promote industrialization in the country. In India, industrial estates have been utilized as an effective tool for the promotion and growth of small-scale industries. The following are the objectives

- To provide infrastructure and accommodation facilities to the entrepreneurs.'
- To encourage the development of small scale industries in the country
- To decentralize industries to the rural and backward areas.

Technical Consultancy Organisations (TCOs)

A network of Technical Consultancy Organisations (TCOs) was established by the all India Financial Institutions in the seventies and the eighties in collaboration with state-level financial/development institutions and commercial banks to cater the consultancy needs of small industries and new entrepreneurs. Its main functions are as follows

- To prepare project profiles and feasibility profiles
- To undertake industrial potential surveys
- To identify potential entrepreneurs and provide them with technical and management assistance
- To undertake market research and surveys for specific products.

SUMMARY

- Government both Central and State have set up several institutions and centres to support small entrepreneurs to establish their units.
- The Supportive facilities and services rendered by these institutions and centres include project appraisals, construction of infrastructure facilities, distribution of raw materials, provisions for machinery on hire-purchase scheme, reservation of items for production by small-scale industries, rendering consultancy and training services, conducting Entrepreneurship Development Programmes undertaking industrial potential surveys etc.
- Institutions providing support to National small industries Corporation Ltd, Small Industries Development Organisation, Small Scale Industries Board, State Small Industries Development Corporations, Small Industries Service Institutes, District Industries Centres, Industrial Estates, Specialized Institutions, Technical Consultancy Organisations

SUGGESTED QUESTIONS

OBJECTIVE TYPE QUESTIONS

1. NSIC stands for -----.
2. Small Scale Industries Development Corporations was setup in the year-----.
3. Industrial Estates provides -----.

SHORT TYPES QUESTIONS

1. Explain about SISI
2. What are the functions of SIDO

LONG TYPE QUESTIONS

1. Discuss the need for institutional support to small-scale industries
2. Discuss about the various institutions providing supports to entrepreneurs.
