A Study on Government Initiative in Promoting Entrepreneurship

Dr. J.S. Chaudhari, Ex-Principal, Kissan Veer Vidyalaya, Wai.
Prof. Vatsala G, Senior Lecturer, SIMS, Yelahanka, Bangalore.

ABSTRACT

As Schumpeter has pointed out:

"An enterprise is essentially a function in which new combinations of economic activity are tried and a person who manages such a combination very well becomes an entrepreneur"

The focus of the any economy needs to be the development of Entrepreneurs rather than going for mere creation of public sector enterprises to provide employment opportunity. Even though both are essential for the sustained development of the economy, but the focus has to shift from later to the former. There is a dearth of quality people in industry, which demands high level of entrepreneurship, and there is a need for all India level moment in the direction of Entrepreneurship Development. The scope of Entrepreneurship Development in country like India is tremendous, and people need to adapt to this culture. There are several programmes initiated by the Government; either directly or indirectly in encouraging people to become entrepreneurs. The ground reality is that these programmes have become a point of discussion, rather than creating any impact at a grass root level. The people mind set is possible to change, when the environment, schooling, parenting and support system in the society functions in the direction of encouraging people to go for what they want rather than what they are expected to do. The research aims to know whether the society encourages youngster to become entrepreneurs or not and to access these programmes reach and impact among the participants.

INTRODUCTION

ENTREPRENEURSHIP IN INDIA

India is the fifth largest economy in the world (ranking above France, Italy, the United Kingdom, and Russia) and has the third largest GDP in the entire continent of Asia. It is also the second largest among emerging nations. The liberalization of the economy in the 1990s has paved the way for a huge number of people to become entrepreneurs.

Over the years India and China have followed opposing strategies for development. While China’s growth has been fuelled by the heavy dose of foreign direct investment, India has followed a much more organic method and has concentrated more on the development of the institutions that support private enterprise by building a stronger infrastructure to support it. Its corporate and legal systems operate with greater efficiency and transparency than do China’s. The Government has encouraged entrepreneurship by providing training and also the facilities to succeed, particularly in the rural areas. One style of innovation that really works in a country as large and diverse as India, is grassroots innovation: this includes inventions for a milieu that is quintessentially Indian.

Moreover, in India, the post-liberalization and globalization era has brought with it a growing middle class - roughly estimated to be 250 million - and rising disposable incomes. This presents a huge potential, which if tapped can be a veritable gold mine. Entrepreneurs can make the best of this by catering to various demands of this segment. India, with its abundant supply of talent in IT, management, and R&D, has become the hot bed of outsourcing of services from all parts of the globe where companies can reduce their costs, but not their quality [If the foreign company chooses the right Indian partner].
Entrepreneurship Development through promotion of micro, tiny small and medium enterprises has been in practice world over as a strategy for achieving the twin objectives of solving the problem of unemployment and achieving rapid economic growth of different regions. From the stalls of open market of developing countries to high-tech firms of Silicon Valley, entrepreneurship is transforming the globe in many ways.

Problems and issues in SMEs

SMEs are the major players and play a vital role in the development of any economy. Inspite of a large number of national and state level institutions supporting entrepreneurial development, it is reported that the programmes are not very successful. This is indicated by less number of new entrepreneurs starting and doing business. So these could be one of the reasons where SMEs face problems:

- Inadequate support from government.
- The institutions do not have the required infrastructures and other facilities to offer these programmes effectively.
- It can be due to lack of qualified man power, scientific approach.
- Some of the people are not aware of the various schemes and types of training offered and available.

RESEARCH DESIGN

Statement of problem

It’s a known fact that, India today is an emerging economy that is destined to achieve milestones, on various fronts, in the near future. However, for India, to acquire the status of a “developed” nation, it needs to create 100 million jobs, statistics point out. Answer to this question is entrepreneurship development.

In this research study we will look into the problem areas of financial and non-financial initiatives. Financial initiatives like providing loans and the seed capital to the new entrepreneurs.

The financial problems include procurement of loan from banks various guarantee gives for the loans for the business and their repayment, investment risks, meeting day to day expenses and the like. When starting a business, approximately one-third of the entrepreneurs found cash flow finance.

To know that government is genuine in giving various facilities related to non-financial which indicates like training and development, providing industrial sheds, raw material requirement, capacity utilization, storage of the products, creating a good infrastructural support and facilities for development of related courses & skills.

Review of literature

An expert committee on small enterprises constituted in December 1995 under the Chairmanship of Shri. Abid Hussain submitted its report in January 1997. The committee gave important recommendations cluster (group) development of small scale enterprises, technology support, infrastructure support & development & SSI association’s related issues which mean information and advisory services in collaboration with government.

Nayak committee on Small Scale Industries submitted their major recommendation on for meeting working capital requirement for SSI unit and ensure credit facility up to 20% of the production. Sustainable interest rates by commercial banks for SSI units, Wider access to bank finance by undertaking of orientation course & adequate training for staffs /officers of commercial banks for a change in the attitude for lending to SSI sector, by simplification of procedures for obtaining credit.
from banks. They also suggested that government should create conducive climate for development of factoring services through appropriate policy prescription/ legislative changes to ease problems relating to stamp duty, registration fees, assignment of debt etc. It includes popularization of Venture Capital Fund by commercial banks to enhance the opportunities of SSI in domestic and International market. Beside this they also suggested setting up of technology up gradation and Development Banks, extension of non-financial services and maximum budgetary support to those sectors of SSI which have a maximum potential for employment generation.

**Ganguly Committee** submitted its report on April 09th 2004 while giving recommendations for banks on lending to SME Clusters through extending banking services for SME. They suggested to recognized SME clusters by adopting 4-C APPROACH NAMELY, Customer focus, Cost control, Cross sell and Contain risk.

Committee suggested clusters may be identified based on factor such as trade record, competitiveness and growth prospects. Committee also tells that by using of successful models by SIDBI and other lead banks to encourage the adoption of their work practices, higher working capital limits need to be taken into account while extending credit to such units and Venture financing through establishment of dedicated national level SME development fund.

The literature survey ultimately indicates that there is need to study the role played by institutional agencies after the introduction of new economic policy in 1991. Government constituted number of expert committees to suggest ways and means ensuring the success of entrepreneurship in the country because of the huge potential which SSIs have. The literature ultimately indicates the gap, the gap relates to accessing the role played by the supporting financial system after one decade of introduction of new economic policy of the country.

**Objectives of the study**

- To study the financial and non-financial initiatives taken by the government for the developing and promoting the entrepreneurship in India.
- To study the government role in development of entrepreneurship in India.
- To study the committees initiative in promoting entrepreneurship.
- To know the extent of DIC contributions to entrepreneurship.
- To study the various kinds of assistance given by the government.

**Scope and Limitation**

**Scope:**
The study and develop the knowledge in the field of entrepreneurial area. To study the State level, National level finance and others programs conducted for the development of entrepreneurship in India.

**Limitation:**
Time period would be the major limitation in the study. The reliability of the data is to the extent of information made available by the institution.

**Methodology**
As the topic describes that it would be a research based study. Sample was collected from KSFC and SIDBI are the two financial institutions through which data was collected.

**Sources of Data**
The data was collected from both primary and secondary sources.
Primary Data:
- Data was collected from the state level and national level financial institution and government organisation.
- Data was collected from entrepreneur of small and medium scale enterprises.

Secondary Data:
- The data will be collected through various Entrepreneurship Magazines and business magazines.
- Research study previously made.
- Newspaper.
- Various policies and data published by the government in internet.

Techniques of Data collection
The primary data is collected through the interview and questionnaire form the various institution and entrepreneurs and stratified random sampling method was followed.

Plan of Analysis
Statistical tool used will be graphical tool like plan and graphs to analysis the plan analysis.

Government Initiatives Programs undertaken for the Development of SMEs – An Evaluation

After independence, organised efforts were made for the development of SSIs on the basis of the report submitted by a team of Ford Foundation experts. In view of the need to step up production and counter inflationary tendencies, it was essential to announce an industrial policy which could create conditions of economic security. Hence, Industrial Policy Resolution of 1948 was framed, which was the basis for the First Five-Year Plan. Since then depending on the need of the hour several Industrial Policy Resolutions were framed in the years 1956, 1977, 1980 and 1991.

Industrialisation in India since independence has been predominantly based on the development of large scale industries. The policy of the government during the early planning era was to develop import substituting heavy industries as the 'key stone' with traditional SSI as an 'adjunct' to meet day to day demands. Gandhi ji was among the earliest advocates of small industry. But the focus of Gandhi ji was on the expansion of traditional and rural manufacturing and not on the creation of a modern, small, urban factory sector. It was Prof. Mahalanobis, who set the pattern of the Second Five-Year Plan which conceived small-scale sector as a supplier of consumer goods to support workers in the large scale sector of heavy industry. Industrial development becomes incomplete without the development of SSIs, since this sector provides opportunity to utilize the abundant manpower and unexploited resources. Accordingly in the process of reshaping and developing the Indian economy under the aegis of Five Year Plans, SSI Sector is rapidly coming into prominence.

Role of Government into Entrepreneurship Development - An Evaluation

The objective of the field survey was to know the problems of the SMEs entrepreneurs while obtaining loan, while running the unit and the impact of financial assistance on the SMEs concerns and to know about what are the initiative taken by the government, national level institution and state level institution and commercial bank for the development of SMEs.
Some of the responds by the entrepreneur in the questionnaire are as follows:

1. Are you a Self-Starter?

According to the data collected through the questionnaire 65% of the entrepreneur answer YES and 35% answered NO.
2. Educational qualification of chief promoters.
As per the data collected through the questionnaire through various units of different sectors it was seen that 60% of the entrepreneurs are not Technically Qualified for the work they are doing and the education for other promoters are 30% were Post Graduates, 80% were Graduates and 50% were SSLC passed as shown in the graph 11 given below.

3. Problem faced while obtaining loan?
According to the data collected through questionnaire all the entrepreneurs answered that there are too much formality and procedures which are too be followed in obtaining loan which create problem for them.

4. Are you aware about the government assistance?
As per the data collected through questionnaire all the entrepreneurs answered Yes that they are aware of some of the government assistance which are really helpful for the business success and growth.

5. What are the assistance you know about?
As per the data collected through the questionnaire, answered are shown in the graph 12 given below, where entrepreneurs who know about the Industrial Infrastructure Development are 65%, SSI and Village Industries sector are 45%, Industrial Development are 30%, Human Resources Development...
are 50\%, Investment and Trade Promotion are 45\%, Technology Up-gradation are 40\% and Entrepreneur Development Programme are 85\%.

**Graph 3**

6. Your opinion on the loan scheme of the financial institutions?
According to the data collected through questionnaire 30\% of the entrepreneurs agreed and said it is good enough and 70\% of them said that it is not good it needs some modification which should be more favourable to SMEs as shown in the graph 13.

**Graph 4**

7. There is sufficient equity funding available for new and growing firms?
40\% of the entrepreneur replied Yes there are sufficient funds are available for the new and growing firms in the questionnaire and 60\% replied No, they feels that still equity funds are required for the growth and development for the new and growing firms as shown in the graph 14.
8. Government policies consistently favour new firms?
Ans: According to the data collected through the questionnaire 45% of the entrepreneurs answered Yes the policies which are made by the government is consistently favour new firms and 55% of the them said that government policies are not favourable for the industry and for the new firms development as shown in the graph 15.

Graph 6

SUMMARY OF FINDINGS AND SUGGESTIONS

The major findings of the field survey are:

After the global economy slowdown taken place various sector got affected from it, but major problem were faced by the SMEs and it was a challenge for the institutions and other commercials bank to get out from it and bring the business and economy on track.
1. SIDBI achieved accelerated growth in its total credit sanctions and disbursements to the MSME sector during FY 2009-10. According the data sanctions of the loans has been increased by 21% and the disbursement is increased by 12%.

2. As per the data given credit sanction for the 2009-10 financial year has increased by 68.51% and disbursement has raise by 82.81% which is a good sign for the company. It was also seen that due to high yielding short term lending, backed with strong and easily enforceable security, formed the key strengths helping the Company to expand its asset and strategy to enter infrastructure projects ensuring IFCI reasonable returns over cost of funds.

3. Karnataka State Financial Corporation (KSFC) is one the main and leading institution in the state, As per the data given by the institution it has recorded 14.7% rise in its sanctions during 2010-11 compared previous year and Its disbursements have gone up by 33.3% as compared to previous year.

4. There is the operational guidelines (for package of incentives and concessions for 2009-14) for New Industrial Policy 2009-14 announced by the Government of Karnataka which has some of the salient features like to provide additional employment for about 10 lakh persons in the next five years, Envisions making Karnataka prosperous through development of human & natural resources in a systematic, scientific and sustainable manner & Efforts to increase the Share of industry to the State GDP to 20% by the year 2014.

5. There is vital role played by the commercial banks to provide loans and other financial services to SSI and SMEs, by looking to growth of Bank of Baroda which is 43.98% in 2009-10 as compared to 24.18% I 2008-09 it was due to bank has launched a special and novel delivery model, viz. SME Loan Factory, where SME Loan Factory is an innovative model for streamlining processes and for timely sanctions of SME loan proposals.

6. Bank of India has taken new initiatives in order to provide more credit to SMEs and have devised a NEW Composite Loan Scheme for MSE Sector borrowers in Rural/SU/U areas for maximum exposure of up to Rs. 5 lacs per borrower. The scheme has unique features like simplified application cum proposal format, hassle free minimum documentations, relaxed margin and interest rates etc.

7. The educational background of the promoters is of little consequence while running an industrial enterprise. As much as 60 per cent of the concerns are run by the entrepreneurs who are not technically qualified.

8. It has been found in the field survey that the implementation period for the SSI units is relatively longer. The major reasons being too many formalities and procedures to be followed, delay in sanctioning and release of the loan from the financial institutions. Several clearance from the various agencies, no proper planning on the part of the entrepreneurs etc.

9. The time taken for sanction and release of loan to the SSI concern is too long. This will have a cascading effect on running an SSI unit.

10. Government have put more efforts in LIMITED LIABILITY PARTNERSHIP AGREEMENT (LLP) So that no business should be effect in the partnership firms.

11. Majority of the SSI concerns are not happy with the procedures followed by the financial institutions as the Small Scale Industrialists broadly agree with the major policies of the financial institutions.

Suggestions:

- Government needs to stimulate the entrepreneurial mindsets of young people, encourage innovative business start-ups, and foster a culture that is friendlier to entrepreneurship and to the growth of SMEs.
- Improving the business environment like from starting, running and growing a business.
- Simplification of start-up procedures: One significant barrier to more entrepreneurs has been the time taken and the costs involved in the administrative procedures to start up and run a small enterprise.
- To promote entrepreneurship amongst women.
Government support for training and mobility for SMEs
Taxation and SMEs Effects of tax systems on the retention of earnings and the increase of own equity.
Models to reduce the disproportionate regulatory burden on SMEs and Entrepreneurs.
Opening public procurement to SMEs

CONCLUSION

The present study, beginning with the evolution of modern SSIs in India, its importance and role in the economic development deals mainly with the institutional support -financial support in particular its trends pattern and magnitude and reveals the contributions of SSI sector in terms of production, employment and investment vis-a-vis the financial support it received from financial institutions. The contribution of the small-scale sector to the nation's economy has often been underplayed or fully recognised. This sector provides the largest both skilled and unskilled and is a source for large scale industry by providing ancillaries. Not employment supporting it has repeatedly met the domestic demand in areas like consumer durables and has created a niche for itself on the export front. An effort has been made in this thesis to trace the growth of modern SSI concept in India.

BIBLIOGRAPHY

Books:
Vasant Desai, Dynamics of Entrepreneurship Development and Management, Himalaya Publishing House

Website:
www.google.com
www.ksfc.com
www.dic.com
www.ifci.com
www.sidbi.com
www.bob.com
www.boi.com
www.ecell.in