

**RESERVE BANK OF INDIA
COLLEGE OF AGRICULTURAL BANKING
UNIVERSITY ROAD, PUNE 411 016**

Entrepreneurship Development in SME Sector

(1) Entrepreneurship

There is no universally accepted definition of entrepreneurship. The concept of “entrepreneurship” is elusive, difficult to define, measure and therefore, promote. The concept of “entrepreneurship” may be applied broadly or in a narrow, focused way depending on the context. “Enterprise” and “entrepreneurship” can have a range of meanings in different contexts denoting a mindset or type of behaviour (entrepreneurial behaviour) in the broadest sense or equated with a small business undertaking in the narrow sense. Entrepreneurship has typically been referred to as an action, process, or activity, in which innovation plays a significant role. The recent Green Paper on Entrepreneurship in Europe by the European Commission (2003b, p.6) defines it as follows: “Entrepreneurship is the mindset and process to create and develop economic activity by building risk-taking, creativity and/or innovation with sound management, within a new or an existing organisation”. Encyclopedia Britannica defines entrepreneur as “An individual who bears the risk of operating a business in the face of uncertainty about the future conditions.” According to ILO “Entrepreneurs are the people who have the ability to see and evaluate business opportunities; together with the necessary resources to take advantages of them; and to intimate appropriate action to ensure success.”

(2) Role of Entrepreneurship

Despite the definitional differences, it is commonly agreed that entrepreneurship is a driving force behind SMEs. Available evidence suggests that entrepreneurship *can contribute significantly* to achieving key policy objectives. Entrepreneurship is an effective means of achieving certain policy objectives, but not all, and at least in the short term, there are trade offs which have to be recognised. Entrepreneurs are the driving force behind SMEs, and SMEs play an important *structural and dynamic* role in all economies.

The main areas where increased levels of entrepreneurial activity *can* contribute significantly to specific policy outcomes are:

- i) Create opportunities -Job creation, careers, new products/services*
- ii) Economic growth, productivity improvement, and innovation.*
- iii) Poverty alleviation and social opportunities.*
- iv) Create new customers and open up new markets.*

Over the last two decades, there has been a shift toward encouraging greater "social entrepreneurship" as a means of poverty alleviation, increasing employment opportunities and empowerment of disadvantaged or under-represented groups, particularly in rural areas. Awareness of the potential which entrepreneurship may offer for promoting social inclusion is growing worldwide. Much of this emphasis placed by governments is focused on assisting target groups to start up micro enterprises, usually by means of the provision of low cost micro finance. These policies implemented in many developing economies have been shown to be remarkably effective by some criteria, and are well illustrated by the success of the Grameen Bank. Micro enterprises are important in their own right, for two closely interrelated reasons:

- In the longer term, they can provide a seed bed for entrepreneurship, and for the corporate growth and economic renewal needed to maintain international competitiveness. Almost all SMEs start as a micro enterprise, in that they start as a concept developed by a single person or a few people.
- In the immediate term, they can provide an alternative to unemployment, and they can provide a means of alleviating poverty and social disparities. Most micro enterprises are non-employing, but they create a job (even if it is only part time) for the entrepreneur.

(3) Education and Training in Entrepreneurship

Education and training have been recognised in this context as the single most important means for achieving the objective of fostering entrepreneurship in societies. Education and training in entrepreneurship can have two types of effects. First, they can have

considerable impact on the performance of entrepreneurs, especially with regard to assisting entrepreneurs increase their firm's chances of survival, and to a lesser extent, to help make the resulting business more profitable. Education in entrepreneurship increases the chances for start-ups and self-employment and enhances the economic reward and satisfaction of entrepreneurial individuals. Second, although extremely difficult to measure, education in entrepreneurship is also supposed to have some longer term impacts on the degree of entrepreneurial spirit and attitudes which are fundamental for an entrepreneurial population and society.

Although national governments as well as international fora, such as the EU, the APEC, and the OECD, are giving increasing emphasis to the importance of education and training in entrepreneurship, and many initiatives have been launched in practically all countries, entrepreneurship education and training are still characterised by a number of problems and shortcomings that need to be addressed urgently. These include:

- Entrepreneurship is not integrated into the curriculum, nor is it part of a coherent framework, but is more likely to be taught as a separate subject, or treated as an extra-curricular activity, resulting in a narrow impact on limited numbers of students.
- A lack of public resources for the academic discipline of entrepreneurship has resulted in limited teaching and research capability on this and related subjects, creating a major bottleneck in expanding education in entrepreneurial subjects at all levels of formal education and vocational training, as well as leading to an underdeveloped academic infrastructure in these subjects.
- A need to improve co-ordination among government agencies in designing and implementing policies for promoting entrepreneurship through co-coordinated actions, and among different government programmes and initiatives.
- Fostering entrepreneurship through training and education is not yet well integrated as part of national long term economic strategy and planning;

- A low degree of acceptance (among all stakeholders) of the broader concept of education for entrepreneurial attitude and spirit as opposed to education and training for entrepreneurial skills (business skills for SMEs).
- Development of indicators and quantitative data, and evaluation of measures undertaken, are still very limited and undertaken only occasionally.

In light of the above, issues in the area of education and training in entrepreneurship that require special government attention may include:

- Integration of entrepreneurial subjects in the formal education systems, in a coherent and systematic way, not only for the purpose of teaching entrepreneurial skills, but also for fostering an entrepreneurial population, throughout all levels of education, and an entrepreneurial society more broadly.
- Promoting various forms of public and private partnership, from internship arrangements to private financing, between public educational and research institutions and the private sector, especially SMEs.
- Increasing public funding devoted to education and research in entrepreneurship, especially for improving capacity in teacher training, and for developing curricula and programmes in entrepreneurship.
- Improving co-ordination between different government bodies involved in promoting entrepreneurship through education and training and through other initiatives.
- Developing indicators, compiling quantitative data and evaluating the measures undertaken.

(4) Factors affecting Entrepreneurship:

Factor	<i>Examples, evidence</i>
CULTURE	Attitudes to wealth, elders, youth, experimentation, risk, work, professions, achievers, success etc. Family, extended family, collective ownership vs. individual, Treatment of women, castes, classes, minorities, etc. Religion and ethical attitudes to business
INFRASTRUCTURE	Tangible, intangible, telecommunications, transport, distribution, health, public safety, law and courts, education system, etc.
SOCIAL	Demographic profile (<i>e.g.</i> ageing population reduces entrepreneurship and start up rates) Immigration and migration patterns Caste and class rigidities Social homogeneity
ECONOMIC	Growth opportunities, domestically and across borders Cyclical opportunities and threats (unemployment may lead to entrepreneurship) Taxation treatment of capital gains, start up expenses, intangible asset expenditure, stock options, etc.
LEGAL AND REGULATORY	Administrative burden imposed on smaller firms and start ups Regulatory barriers (licenses, etc.) Property rights (tangible, intangible) can be protected and marketed Right to incorporate, and costs of incorporation Costs of defending or enforcing agreements or rights Penalties imposed for "failure", treatment of bankrupts Specific regulations and laws relating to specific markets or activities
INFORMATION	Access to information about opportunities, technology, partners, laws and regulations etc. Freedom of press and ability to advertise or disseminate information (<i>e.g.</i> about new products) Accessibility of information in different languages
FINANCE	Discrimination in finance (<i>e.g.</i> age, gender, class discrimination) Sophistication and development of markets (<i>e.g.</i> microfinance, start up and seed finance, angles, equity, religion [<i>e.g.</i> Muslim finance], Venture Capital, second board and OTC markets, mezzanine, etc.) Continuity in finance markets (<i>i.e.</i> are the gaps in the markets, or can an entrepreneur expand smoothly from seed to IPO) Competition in financial markets (<i>e.g.</i> competitive finance markets reduce the margin above cost of finance to lenders, and increase range of services) Ability to use property rights as security (enables entrepreneurs to secure finance)

TECHNOLOGY	Access to large firms or universities and research labs for technology transfer Access to supply chains Access to incubators and technology support
EDUCATION and HUMAN RESOURCES	Levels of literacy, numeracy Computer and ICT literacy -- Specific education in entrepreneurship at school, university - Access to training programs, mentoring, advice, nanyangs
MARKET STRUCTURES	Monopolistic behaviour, predatory pricing by large firms Networks, clusters Flexibility in labour markets Industry or market specific incentives and subsidies
INDIVIDUAL	Individual personality and motivation traits <i>e.g.</i> locus of control, risk taking, innovativeness Individual experience and knowledge

(5) Major Entrepreneurial Competencies:

Earlier there was a myth that those persons with business family background could become successful entrepreneur. Subsequently people started believing that individuals need technical know-how, as a major requirement for being successful in launching all industrial ventures. To understand that what actually is required to be a successful entrepreneur, Entrepreneurship Development Institute conducted a research and found out that following major competencies are required to be a successful entrepreneur:

- i) **Initiative:** All entrepreneur takes action that go beyond job requirements or the demand of the situation.
 - Does things before being asked or forced by the events.
 - Acts to extend the business into new areas, products; or services.
- ii) **Sees and Acts on Opportunities:** Looks for and takes action on opportunities.
 - Sees and acts on opportunities (business, educational or personal growth).
 - Seizes unusual opportunities to obtain financing, equipment, land, workspace or assistance.
- iii) **Persistence:** Takes repeated action to overcome obstacle that get in the way of reaching goals.
 - Takes repeated or different actions to overcome obstacles:
 - Takes action in the face of a significant' obstacle.

- iv) Information Seeking:** Takes action on own to get information to help reach objectives or clarify problems.
- Does personal research on how to provide a product or service.
 - Consults experts for business or technical advice.
 - Seeks information or asks questions to clarify what is wanted or needed. Personally undertakes research, analysis, or investigation.
 - Uses contacts or information networks to obtain useful information.
- v) Concern for High Quality of Work:** Acts to do things that meet or beat existing standards of excellence.
- States a desire to produce work of high quality.
 - Compares own work or own company's work favourably to that of others,
- vi) Commitment to Work Contract:** Places the highest priority on getting a job completed.
- Makes a personal sacrifice or expends extraordinary effort to complete a job.
 - Accepts full responsibility for problems in completing a job for others.
 - Pitches in with workers or works in their place to get the job done.
 - Expresses a concern for satisfying the customer.
- vii) Efficiency Orientation:** Finds ways to do things faster or with fewer resources or at a lower cost.
- Looks for or finds ways to do things faster or at less cost.
 - Uses information or business tools in improve efficiency
 - Expresses concern about costs vs. benefits of some improvement, change, or course of action.
- viii) Systematic Planning:** Develops and uses logical, step-by-step plans to reach goals.
- Plans by breaking a large task down into sub-tasks.
 - Develops plans that anticipate obstacles. Evaluates alternatives.
 - Takes a logical and systematic approach to activities.
- ix) Problem Solving:** Identifies new and potentially unique ideas to reach goals.
- Switches to an alternative strategy to reach a goal.
 - Generates new ideas or innovative solutions.
- x) Self-Confidence:** Has a strong belief in self and own abilities.
- Expresses confidence in own ability to complete a task or meet a challenge.
 - Sticks with own judgment in the face or opposition or early lack of success.
 - Does something that he says is risky.

- xi) Assertiveness:** Confronts problems and issues with others directly.
 - Confronts problems with others directly.
 - Tells others what they have to do.
 - Reprimands or disciplines those failing to perform as expected.

- xii) Persuasion:** Successfully persuades others.
 - Convinces someone to buy a product or service.
 - Convinces' someone to provide financing.
 - Convinces someone to do something else that he would like that person to do.
 - Asserts own competence, reliability, or other personal or company qualities.
 - Asserts strong confidence in own company's or organisation's products or services.

- xiii) Use of Influence Strategies:** Uses of variety of strategies to affect others.
 - Acts to develop business contacts.
 - Uses influential people as agents to accomplish own objectives.
 - Selectively limits the information given to others.

- xiv) Monitoring:**
 - Develops or uses procedures to ensure that work is completed or that work gets standards or quality.
 - Personally supervises all aspects of a project.

- xv) Concern for Employee Welfare:**
 - Takes action to improve the welfare of employees.
 - Takes positive action in response to employees' personal concerns.
 - Expresses concern about the welfare of employees.

(6) Institutional Support for Entrepreneurship Development

Generally bankers and Government agencies believe that the borrower must be possessing requisite entrepreneurial competencies. Fact is that this subject is never seriously included in any school/college curricula. That is why we observe almost all the graduates (even engineering graduates) running to search a job after completion of their education and hesitate to set up a n enterprise. In fact, not only new entrepreneurs but also existing entrepreneurs need continuous education/ training to enhance their entrepreneurial competencies and skills. Recognizing this need, the Central Government and several State Governments have setup various training institutes which are engaged

in providing entrepreneurship development trainings, in addition to technical training and other rendering other services. Given below is a list of such institutes. The bankers should make all efforts to ensure that their borrowers are made aware of these facilities and get training from time to time.

Name of Institute	Place	Activities
National Institute of Small Industry Extension and Training (NISIET)	Hyderabad	Training, research and consultancy services
Indian Institute of Entrepreneurship	Guwahati	Training, research and consultancy services
National Institute of Entrepreneurship and Small Business Development (NIESBUD)	New Delhi	Coordinating and overseeing activities of various institutes /agencies engaged in entrepreneurship development
Integrated Training Centre (Industries)	Nilokheri	Conducts EDP course
Institute for Design of Electrical Measuring Instruments (IDEMI)	Mumbai	Render services to the instrumentation industry
Central Institute of Hand Tools	Jalandhar	Aims at rapid growth of the hand tool sector
Hand Tool Design Development and Training Centre	Nagaur	Assistance for improvement in productivity, betterment in quality, high value addition
Central Tool Room	Ludhiana	Provides services in the area of consultancy, tool design and manufacture and technical training
Central Tool Room and Training Centre	Kolkata	Training, design and manufacture of complicated precision tools for the telecom industry and other common facility services
Central Institute of Tool Design (CITD)	Hyderabad	Training, CAD/CAM centre to train post-graduate trainees, automatic process control unit, and so on
Product-cum-Process Development Centre for Sports Goods	Meerut	Training, process and product development of sports goods, R & D
Product-cum-Process Development Centre for Essential Oils	Kannauj	Modernise and upgrade technology status for the essential oils and perfumery industry
Product-cum-Process Development Centre	Agra	Provide better technology to small-scale foundry and forging units, process and product

		development, and provision of design for melting equipment, testing facilities
Electronic Service and Training Centre	Ramnagar	Training, technical and consultancy services
Centre for the improvement of Glass industry	Firozabad	Development and adoption of new technologies and products
National Small Industries Corporation	New Delhi	Supply of machinery, marketing assistance, training

Some other organizations engaged in training and Development of SME Entrepreneurs are:

- Indo-German Tool Room at Ahmedabad, Aurangabad and Indore
- Indo-Danish Tool Room at Jamshedpur
- Hand Tool Design , Development and Training Centre, Nagore, Rajasthan
- Central Machine Tool Institute at Bangalore
- Central Institute of Plastic s Engineering and Tools at Chennai & Ahmedabad
- National Institute of Foundry and Forge Technology at Ranchi
- DICs at District level Small Industries Development Corporations set up by various State Governments.

A brief of important institutes engaged in entrepreneurial development training is given below:

(i) The National Institute for Entrepreneurship and small Business Development (NIESBUD) : NIESBUD was established in 1983 by the Ministry of Industry (now Ministry of Small Scale Industries), Govt. of India, as an apex body for coordinating and overseeing the activities of various institutions/ agencies engaged in Entrepreneurship Development particularly in the area of small industry and small business. The Institute which is registered as a society under Govt. of India Societies Act (XXI of 1860) started functioning from 6th July, 1983. Its website can be accessed through www.niesbud.nic.in

Major activities of the Institute are:

- Evolving effective training strategies and methodology
- Standardising model syllabi for training various target groups
- Formulating scientific selection procedure
- Developing training aids, manuals and tools
- Facilitating and supporting Central / State/ Other agencies in organising

entrepreneurship development programmes

- Conducting training programmes for promoters, trainers and entrepreneurs.
- Undertaking research and exchange experiences globally in development and growth of entrepreneurship. The Institute is actively involved in creating a climate conducive to emergence of entrepreneurship.

The trainings conducted by the Institute include:

- Training of Trainers/ promoters
- Accreditation Programme for Entrepreneurial Motivation Trainers.
- Trainers' Training Programme for Enterprise Launching & Management.
- Trainers/Promoters Programme for support organisations such as SISIs, DICs, Development Corporations etc.
- Small Business Promotion Programme.
- Entrepreneurship Orientation Programme for HoDs and Senior Executives.
- Evolves Standardized Material and Research Publications

(ii) National Institute of Small Industry Extension Training (NISIET): NISIET since its inception in 1960 by the Government of India, has taken gigantic strides to become the premier institution for the promotion, development and modernization of the SME sector. An autonomous arm of the Ministry of Small Scale Industries (SSI), the Institute strives to achieve its avowed objectives through a gamut of operations ranging from training, consultancy, research and education, to extension and information services. It has been renamed as National Institute of Micro Small and Medium Enterprises (NIMSME) (www.nimsme.org) from April 2007. The primary objective of the Institute was to be the trainer of trainers. Today, with the technological development and ever-changing market scenario, their involvement has undergone changes too. From being merely trainers they have widened their scope of activities to consultancy, research, extension and information services. Its website can be accessed through www.nisiet.gov.in

(iii) Indian Institute of Entrepreneurship (IIE): With an aim to undertake training, research and consultancy activities in the small industry sector focusing on

entrepreneurship development, the Indian Institute of Entrepreneurship (IIE) was established in the year 1993 at Guwahati by the erstwhile Ministry of Industry (now Ministry of Small Scale Industry) , Government of India as an autonomous national institute. The institute started its operations from April 1994 with North East Council (NEC) , Govt. of Assam, Arunachal Pradesh and Nagaland and SIDBI as other stakeholders.

The activities of the Institute include identification of training needs, designing and organizing programmes both for development functionaries and entrepreneurs; evolving effective training strategies and methodologies for different target groups and locations; organize seminars, workshops and conferences for providing fora for interaction and exchange of views by various agencies and entrepreneurs; undertaking research on entrepreneurship development, documenting and disseminating information needed for policy formulation and implementation on self-employment and entrepreneurship. The Institute acts as a catalyst for entrepreneurship development by creating an environment for entrepreneurship in the support system, developing new entrepreneurship, helping in the growth of existing entrepreneurs and propagation of entrepreneurial education. Its website can be accessed through www.iie.nic.in

(iv) Entrepreneurship Development Institute of India (EDII): The Entrepreneurship Development Institute of India (EDI), an autonomous body and not-for-profit institution, set up in 1983, is sponsored by apex financial institutions, namely the Industrial Development Bank of India (IDBI), IFCI Ltd. ICICI and State Bank of India (SBI). The Institute is registered under the Societies Registration Act 1860 and the Public Trust Act 1950.

An acknowledged national resource institution, EDI is committed to entrepreneurship education, training and research. The institute strives to provide innovative training techniques, competent faculty support, consultancy and quality teaching & training material. EDI has been spearheading entrepreneurship movement throughout the nation with a belief that entrepreneurs need not necessarily be born, but can be developed

through well-conceived and well-directed activities. Its website can be accessed through www.ediindia.org.

(v) The Institute of Small Enterprises and Development (ISED): The Institute of Small Enterprises and Development (ISED) stand for ‘Sustainable development through enterprise’. It is a multi-faceted Center for advanced learning and practice in the area of development. For the past decade, the Institute for Small Enterprises and Development has focused on research, education, innovative program design and entrepreneurship development initiatives, advocacy and networking dedicated towards sustainable development through enterprise creation. Among the similar institutions ISED’s leading-edge is the identification of methodologies and processes that empower one to break out of existing ‘mental models’ in order to identify new opportunities, while exploiting the emerging niche. ISED's interest in linking research, policy, and action is realized through the programmes of its Activity Centers. The integration of the outcomes takes place at the Centre for Policy Integration. In realizing its vision and fulfilling its mission, the Institute also collaborates with like-minded institutions and individuals. Its website can be accessed through www.isedonline.org.

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