

## A REVIEW OF THE GOVERNMENT PROGRAM FOR THE PROMOTION OF ENTREPRENEURSHIP IN INDIA

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**Abstract:** *When compared to its 67 years of existence as an independent nation still India's entrepreneurship is at his blooming stage or is an emerging event. While socialist policies were at the controls of deciding the policy framework in the early years, the last 3 decades have brought about changes in the government's thinking inclining towards a market oriented economy. Various support systems have been designed by the government to nurture the entrepreneurial mindset. An entrepreneur requires a regular flow of funds not only for setting up of his or her business, but also for successful working and progress as well as regular up gradation and modernization of the industrial unit, and to meet this requirement, the Government (at all level) has been taken several important steps i.e setting up of banks, financial institutions, even formulating various policies and schemes, etc. All such measures are specifically directed towards the promotion, up gradation and development of small and medium companies. The government of India has been taking active steps to promote entrepreneurship in various industry & sectors. It has declared several policy measures and is implementing schemes and programmes to enhance the global competitiveness of small enterprises across the country. This study briefly reviews the Government policies for the help of budding entrepreneurs and also presents what could be the way forward, given our objectives of entrepreneurship growth. The aim of the paper is to develop and analyze the contribution of the Government Policies regarding Entrepreneurship promotion in India.*

**Keywords:** *Entrepreneurship, policies, Economy etc.*

### I. INTRODUCTION

As India is a developing country and an emerging economy, in the near future to acquire the status of a "developed" nation, it needs to create millions of jobs. In an Endeavour to achieve this mark, it is necessary to explore the opportunities in the employment market and the unemployed, so that every individual can play a crucial role in contributing towards the growth of the Indian Economy, but the main problem how to create such a large number of job and which industry or sector will absorb the people and bridge the employment gap. Though experts suggests for contemplating in Army, the railways, the government and the private sectors but still the problem about the difficulty in employing in such a huge numbers still continue to persist, and so, here comes the role of Entrepreneurship. Many organizations understands the importance of entrepreneur, their contributions in enriching economy and the way they can create jobs for the unemployed, so they are partnering or collaborating with several expert bodies such as financial firms, institutions etc.

to cater all kinds of entrepreneurship- Rural, ICT, Social, etc.

### II. RESEARCH OBJECTIVES

- To identify the government policy for entrepreneurship development.
- To identify the business environment for the entrepreneurship development in India.
- To understand the political and legal framework for entrepreneurial skills development.
- To analyze the growth of MSMEs in Indian context.

### III. COLLABORATIONS FOR ENTERPRENEURSHIP

India has approximately 300 million youth, but only approximately 100 million jobs are available which creates a wide employment gap difference of 200million. According to Amy Christen, Vice President, Corporate Affairs & General Manager, Networking Academy Operations, Cisco Systems, Inc. this wide gap can only be filled through self-employment or entrepreneurship and to achieve this target Cisco has collaborated with Small Industries Development Bank of India (SIDBI) and Tiruchirappalli Regional Engineering College- Science and Technology Entrepreneurs Park (TREC-STEP), a science and technology Entrepreneurs Park which will help to promote information and communications technology (ICT) entrepreneurship and related innovation in the country. In this project, in India small ICT businesses will be financed by SIBDI which will be run by current and/or former Cisco Networking Academy students and Cisco will help them to get subsidy in the interest repayment and guarantee fees on the loans and TREC-STEP will provide customized training and mentoring to participants in the pilot. Initially the new entrepreneurship pilot program will include 10 ICT businesses in Tamil Nadu. RakeshRewari, Deputy Managing Director, SIDBI, said "With job opportunities only available to approximately one-third of India's youth, entrepreneurship development is a critical part of the country's future. And such partnerships aim to nurture innovative thinking in small enterprises and support them with the financial resources to transform those ideas. Such programmes aim to foster an entrepreneurial environment that helps small businesses contribute to India's overall economic development," The last two decades of economic growth is, mainly, due to the rise of various entrepreneurial start-ups in the country, especially in the IT and ITeS sectors. R Sreenivasan, Co-Founder, Career Launcher also adds "In the next two decades, I foresee an opportunity in the social entrepreneurship domain that will positively influence the global economy. With over 70 per cent of the population still working in the agricultural sector, 90 per cent of the jobs are still driven by this industry. Come

to think of it, the country has been chugging along, only because of the emergence of small and medium start-ups in this sector," Career Launcher has initiated to encourage youth to start their own small entrepreneurial ventures with the partnerships with central and state governments.

#### IV. HOW GOVERNMENT CAN HELPS ENTREPRENEURS AT DIFFERENT STAGES

**Pre-Seed and Seed:** This is the stage, when the entrepreneurial business is just being established or started and the way governments can help at this stage is by framing appropriate regulatory frameworks that can enable innovative funding mechanisms, such as crowd funding. It is a way of attracting small amounts of funding or donations directly from the multiple investors using social media and internet channels and other sources.

**Start-up:** At this stage, the process of demonstrating the commercial growth of business is started by the entrepreneurs. So at this stage governments have an important role to play in helping entrepreneurs not only facilitating the fund but also to establish a good networks of relevant contacts and gain insight or knowledge into how to access funds or the available sources from where they can acquire funds or donations.

**Emerging growth:** Once an entrepreneur has been able to demonstrate or mark a place in a market for his or her product or service, the enterprise or the project enters the emerging growth stage. The company will be earning revenues but still it is likely to be insufficiently profitable to fund its own expansion. Policy-makers therefore need to develop measures which reinforce and that give financial institutions the confidence to lend to SMEs.

**Expansion:** The final stage of the entrepreneurial growth is expansion. By this stage, the company has proven that its business model or paradigm is effective and the spotlight or the target shifts to rapidly scaling up the venture to profit on the growth opportunity. We believe that governments need to avoid suffocating Private Equity actions with so many rules and regulations. Regulatory tightening all over the world has made it more difficult for institutional investors to allocate capital/funds to investments that are perceived as more risky.

#### V. VARIOUS PROGRAMME RELATED TO ENTREPRENEURSHIP

Keeping in view the contribution of small scale business in providing employment to the present generation, regional development of the country, promotion of exports and various policies are coming as a thrust that are targeting towards establishing, promoting and developing small business sector, particularly the rural industries and the cottage and village industries in backward areas. Central and State Government are actively participating in self-employment opportunities by providing assistance in respect of infrastructure, finance, technology, training, raw-materials, and marketing. The various policies insist on the utilization of local resources and raw materials and locally available manpower and further these are translated into action through

various agencies, departments, corporations, etc., all coming under the purview of the industries department. All these are primarily concerned with the promotion of small and rural industries. Some of the support measures and programmers meant for the promotion of small and rural industries are discussed below:

##### A. National Bank for Agriculture and Rural Development (NABARD)

NABARD was established in 1982 to promote integrated rural development. Since then, it has keep on adapting multi dimensions strategy for the promotion of rural business. Not only agriculture but it also supports small industries, cottage and village industries, and rural artisans using credit and non-credit approaches. It also offers counseling and consultancy services and organizes various training and development programmes for rural entrepreneurs.

##### B. The Rural Small Business Development Centre (RSBDC)

It is the first of its kind established by the world association for small and medium enterprises which is sponsored by NABARD. It provides assistance to the socially and economically disadvantaged individuals and groups. It aims at providing management and technical support to current and prospective micro and small entrepreneurs in rural areas. Since its establishment, RSBDC organizes several programmes on rural entrepreneurship, skill up gradation workshops, mobile clinics and trainers training programmes, awareness and counseling camps in various villages. Through these programmes it covers a large number of rural unemployed youth and women in several trades, which includes food processing, soft toys making, ready-made garments, candle making, incense stick making, two-wheeler repairing and servicing, vermicomposting, and non-conventional building materials.

##### C. National Small Industries Corporation (NSIC)

This was established in 1955 with vision to promote aid and foster the growth of small business units in the country. This focuses on the commercial aspects of these functions.

- Export the products of small business units and develop export-worthiness
- Supply indigenous and imported machines on easy hire-purchase terms.
- Procure, supply and distribute indigenous and imported raw materials.
- Creating awareness on technological up gradation
- Developing software technology parks and technology transfer centers.

A new scheme of 'performance and credit rating' of small businesses is implemented through National Small Industries Corporation (NSIC) with the twin objectives of

- Sensitizing the small industries about the need for credit rating and

- Encouraging the small business units to maintain good financial track record.

*D. Small Industries Development Bank of India (SIDBI)*

- Set up as an apex bank to provide direct/indirect financial assistance under different schemes, to meet credit needs of small entrepreneurs or business organizations.
- To coordinate the functions of other institutions in similar activities.

*E. The National Commission for Enterprises in the Unorganized Sector (NCEUS)*

The NCEUS was constituted in September, 2004, with the following objectives:

- To recommend measures considered necessary for improving the productivity of small enterprises in the informal sector.
- To enhance the competitiveness of the sector in the emerging global environment
- To generate more employment opportunities on a sustainable basis, particularly in the rural areas.
- To develop linkages of the sector with other institutions in the areas of credit, raw materials, infrastructure, technology up gradation, marketing and formulation of suitable arrangements for skill development. The commission has identified the following issues for detailed consideration:
- Growth opportunities for the informal sector in the form of clusters/ hubs, in order to get external economic aid.
- Potential for public-private partnerships in imparting the skills required by the informal sector.
- Provision of micro-finance and related services to the informal sector.
- Providing social security for the workers in the informal sector.

*F. Rural and Women Entrepreneurship Development (RWED)*

The Rural and Women Entrepreneurship Development programme aims at promoting a suitable business environment and at to encourage and support the entrepreneurial initiatives of rural people and specially women. RWE provides the following services:

- Creating a business environment that encourages initiatives of rural and women entrepreneurs.
- Providing training manuals for women entrepreneurs and training them.
- Rendering any other advisory services.

*F. World Association for Small and Medium Enterprises (WASME)*

It is the only International Non-Governmental Organization of micro, small and medium enterprises based in India, which set up an International Committee for Rural Industrialization. Its aim is to develop an action plan model for sustained and

continuous growth of rural enterprises. Beside this, there are several plans or schemes are there to promote the non-farm sector, mostly initiated by the Government of India. For example,

- schemes for entrepreneurship through subsidized loans like Integrated Rural Development Programme (IRDP),
- Prime Minister Rojgar Yojana (PMRY), schemes to provide skills like Training of Rural Youth for Self Employment (TRYSEM), and
- Schemes to strengthen the gender component like Development of Women and Children in Rural Areas (DWCRA).

Again there are schemes to provide wage employment like Jawahar Rojgar Yojana (JRY), food for work etc., on rural works programmes to achieve the twin objectives of creation of rural infrastructure and generation of additional income for the rural poor, particularly during the lean agricultural season. Last, but not the least, there are schemes for specific groups of industries such as khadi, handlooms and handicrafts.

*G. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)*

To make the traditional industries more productive, competitive and to facilitate their sustainable, stable and continuous growth and development, the Central Government set up this fund with Rs. 100 crores allocation in the year 2005 which is implemented by the Ministry of Agro and Rural Industries in collaboration with State Governments. The main objectives of the scheme are as follows:

- To develop clusters of traditional industries in various parts of the country;
- To build innovative and traditional skills, improve technologies and encourage public-private partnerships, develop market intelligence etc., to make them competitive, profitable and sustainable; and
- To create sustained employment opportunities in traditional industries.

## VI. CONCLUSION AND SUGGESTIONS

Entrepreneurship play a very critical and major role in the development of the economy of the country as this is the key contributor to innovativeness and product improvement. It is one of the important factors to the creation of new employments and in the building of communities in ways of offering them jobs. Governments should develop policies which will enhance entrepreneurship by understanding the critical differences existing between small business owners and entrepreneurship. At the same time, a misconception about entrepreneurs and where entrepreneurs can be found can also help the local people to create the right picture of entrepreneurship and thus become aggressive and contribute to economic development. The persistent complaint of small scale units of being subjected to a large number of Acts and Laws, being required to maintain a number of registers and

submit returns, and face an army of inspectors, would be attended to within a specified time frame of three months. Procedures would be simplified, bureaucratic controls effectively reduced, unnecessary interference eliminated and paper work cut down to the minimum to enable the entrepreneurs to concentrate on production and marketing functions. The fact that while state governments devise special policies that target the growth of the MSME sector, there are various general development policies which are not specifically aimed at any sector but which seem to have very strong, positive and significant impact on the development of the MSME sector i.e improving access to finance in the form of availability of bank branches and improved infrastructure facilities. Both, banks and the government financial subsidies are ultimately aimed at providing improved access to credit to entrepreneurs within the MSME sector. But the subsequent impact that they have are opposite to one another. While banks seem to improve growth, the government subsidies are negatively related to all performance measure of MSMEs. While banks are providing finance to viable businesses, government subsidies might be channeled into unproductive and non-feasible ventures. Government should play a facilitator role and improve access to finance by encouraging more banks and other financial institutions to enter the local market, instead of becoming an active player itself. When we compare government infrastructure outlays with financial subsidies that government provides, there is opposing impacts on performance of MSMEs. While infrastructure outlays are seen to be significantly improving MSME growth, the financial subsidies have a significant negative relationship to MSME growth. This might suggest the core competence of the government in certain roles, example creating a facilitating environment such as improved connectivity by roads, railways and airways, improved availability of electricity and water supply.

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