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**United Nations Industrial Development Organization**

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Training Workshop and Study Tour on Small-scale Industry  
in the Least Developed Countries of Asia, the Far East  
and the Middle East

Nepal and India, 1 - 23 April 1974

**STIMULATION OF ENTREPRENEURSHIP  
IN LESS DEVELOPED AREAS  
SOME INDIAN EXPERIENCES<sup>1/</sup>**

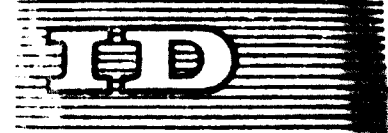
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STIMULATION OF ENTREPRENEURSHIP  
IN LESS DEVELOPED AREAS  
SOME INDIAN EXPERIENCE 1/

S.V.S. Sharma\*

Summary

An attempt is made in this paper to present an overall view of the efforts made in India to develop industries, particularly modern small scale industries, in underdeveloped areas.

In India, the basic policy objectives of industrialization are laid down in the Industrial Policy Resolution of 1956. Detailed programmes are drawn up for different sectors - public and private - of industries, viz., large scale, medium scale, small scale, village and cottage industries, in accordance with these objectives.

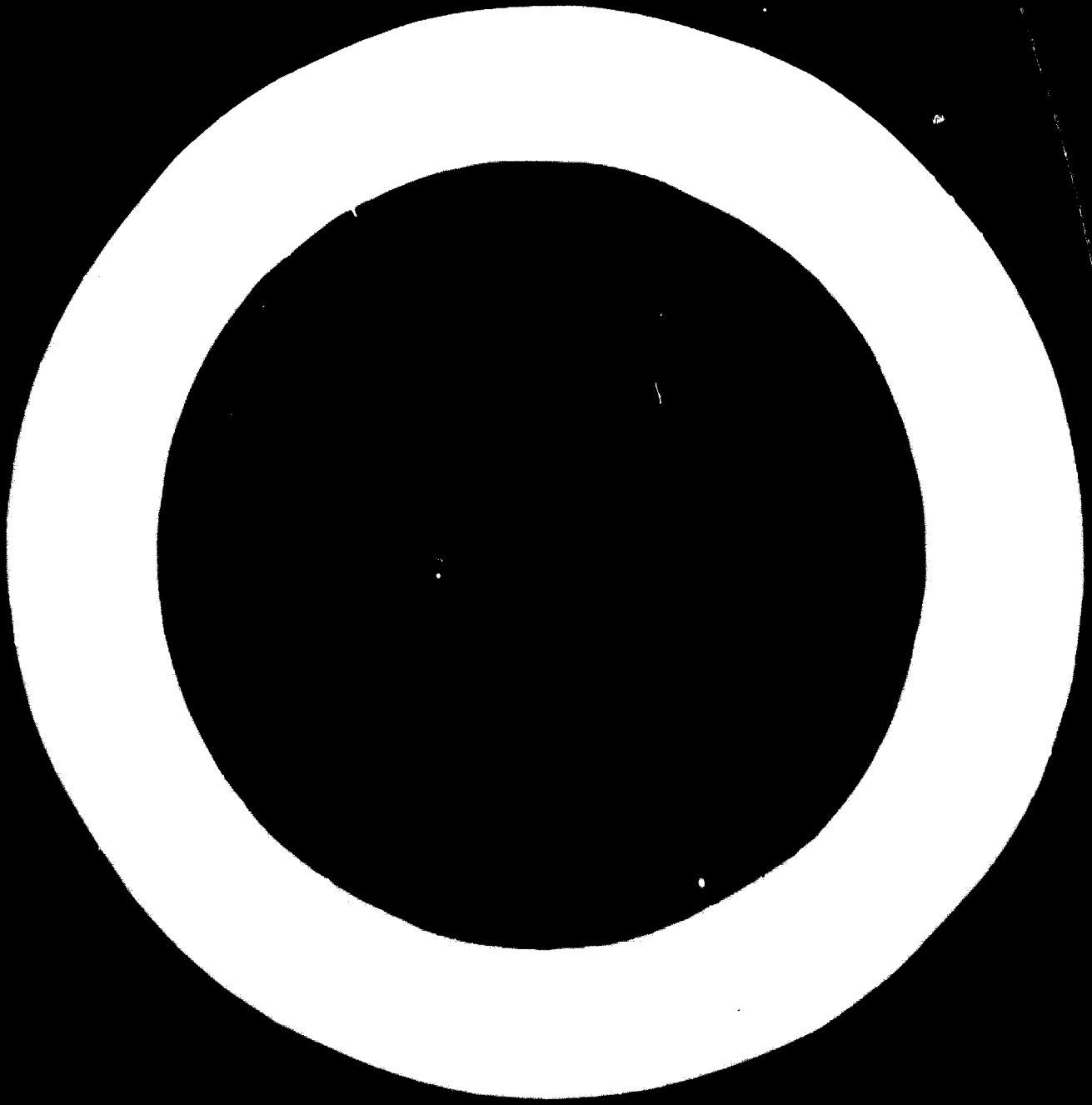
Modern small scale industry has been chosen as one of the important instruments of industrialization of underdeveloped areas. A comprehensive programme of

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Director, Small Industry Development Organization

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assistance to this sector has been drawn up to include:

- 1) Industrial Extension Service
- 2) Liberal Credit Facilities
- 3) Supply of machinery on hire purchase basis
- 4) Accommodation in Industrial Estates
- 5) Participation in Government Stores Purchase Programme
- 6) Development of Ancillaries
- 7) Subsidy on Supply of Power, in Some Cases.

Necessary institutional framework has been created to implement this programme.

A study of the working of the small industry development programme disclosed that the bulk of the prospective entrepreneurs were drawn from the business community and educated technicians. These persons preferred to locate their factories around State Capitals, metropolitan towns and port towns. Thus, one of the important objectives of small industry development programme, viz., industrialization of underdeveloped areas, did not gather the desired momentum. In this connexion, the inhibiting factors were found to be:

- 1) Distance from the administrative agencies
- 2) Distance from sources of supply of raw materials
- 3) Distance from markets, technical skills, skilled labour, etc.
- 4) Lack of social amenities
- 5) Lack of infrastructure facilities.

Programmes have been initiated at the Central and State levels to remove these difficulties.

The attempts made in one of the underdeveloped States, viz., Orissa, are described in some detail.

The State Government experimented with two ideas:

1) Equity participation: It tried to attract entrepreneurs into the State and stimulate local entrepreneurship, especially among the middle levels of society, by offering to participate in the equity capital of companies to be set up by such entrepreneurs. Though the response was satisfactory, the scheme could not take industries into really backward regions of the State.

2) Panchayat Samithi Industries: The State Government aimed at stimulating industrialization in the rural and underdeveloped areas by selecting certain successful Panchayat Samithis (local administrative bodies) and giving them prizes on the condition that the prize money would be invested in industries utilizing local raw materials, local skills and meeting local demands. Under this scheme, a series of industrial cooperatives were started. This scheme was successful so far as it went, but it could not have the multiplier effect.

At the central level, a programme to stimulate entrepreneurship in underdeveloped areas was undertaken through the medium of "Intensive Campaigns". The idea was to take all the Government agencies concerned with industrial development to the doorsteps of the entrepreneur and to give on-the-spot assistance to him. This enthused the local people and raised their expectations but, due to absence of sustained follow-up, could not result in massive industrialization.

Industrialization of underdeveloped areas cannot be the exclusive responsibility of the small industry sector. While this sector can play an important role, it should equally be the responsibility of the other sectors of industries, viz., public sector undertakings, large scale and medium scale industries in the private sector, on the one hand, and, of the development departments like agriculture, animal husbandry, power, transport, communications, etc., on the other.

So far as industrialization is concerned, a series of fiscal and financial incentives equally available to all categories of industries has been adopted. These include:

- 1) Outright grant/subsidy amounting to 15 per cent of the fixed capital investment of the unit in specified backward areas/districts.
- 2) Financial assistance on easy terms in 231 selected backward districts by financial institutions.
- 3) Transport subsidy equivalent to 50 per cent of transport cost of raw materials and finished goods in certain specified far-off areas.
- 4) Liberalized import of machinery and raw materials for units manufacturing items reserved for the small scale sector.
- 5) Priority in the supply of machines on hire purchase by the National Small Industries Corporation.

The impact of this programme is just beginning to be felt.

Earlier, in 1961, a Rural Industries Project Programme, based on the "area development approach", was initiated all over the country on the initiative of the Central Government. It aimed at all-round development of agriculture, irrigation, transport, communications, power, social services, etc., along with industry. So far as industry is concerned, the idea was to provide, after a thorough study of the existing industries in the area, necessary promotional facilities such as technical assistance, training, common service facilities, credit, hire purchase of machinery, construction of worksheds, marketing, etc., to make the existing units viable and assist establishment of new industries. Experience has shown that the RIP Programme could be utilized to sustain and develop existing rural artisans and to set up small sized industrial units. But it could not contribute substantially in the removal of regional imbalances in the industrial development, particularly since the large and medium industries and the more progressive among the small scale units could not be induced in large numbers to go into these areas.

Since 1967, rising unemployment among the educated classes, particularly the technically educated, has given an urgency and added a new dimension to the problem. A programme to draw these educated classes into the industrial sector by adopting suitable entrepreneurial development programme has been adopted at the Central level. Several State Governments have, in addition, drawn up their own programmes in this regard. The programmes adopted by three State Governments, viz., Gujrat, Andhra Pradesh and Jammu & Kashmir, have been described in some detail. They constitute a representative sample and give an idea of the wide range of facilities provided and the type of industries, services, etc., covered by them.

It is now increasingly realized that stimulation of entrepreneurship by itself is not adequate. It has to be closely followed up until the prospective

entrepreneur becomes an actual industrialist. In other words, it is not only stimulation of entrepreneurship, but also the development of entrepreneurship, that is needed. Also, small industry cannot be the only instrument for industrialization of underdeveloped areas. Other sectors of industries and, in fact, other developmental departments also, must make their due contribution, all in a co-ordinated manner. It is also necessary to provide the facilities and services to the prospective industrialists through a single agency by offering a "package of consultancy services" rather than expecting him to approach agency after agency for the various facilities and inputs required in the process of setting up an industry.



The basic policy

The basic policy of the Government of India regarding industrialisation is laid down in the Industrial Policy Resolution of 1956. It has been stated in the Resolution that "in order that industrialisation may benefit the economy of the country as a whole it is important that disparities in the matter of development between different regions should be progressively reduced. . . . . It is one of the aims of national planning that all the facilities are made available to areas which are at present lagging behind industrially or where there is greater need for providing opportunities for employment, provided the location is otherwise suitable. Only by securing a balanced and co-ordinated development of the industrial and agricultural economy in different regions can the entire country attain the highest standards of living."

2. A practical shape to this directive was attempted by a Committee appointed to suggest programmes for the development of village and small scale industries to be included in the Second Five Year Plan. (1956-61). It stressed the principle of decentralised industrial development. It felt that progressive expansion and modernisation of the rural industry can be most economically brought about by the spread of small industrial units along with necessary services among the big villages or small towns, located all over the country. The Committee recommended that "the pattern of industrial activity that should gradually emerge is that of group of villages having its natural

industrial and urban centres. These small urban centres will be related to big ones. Thus a pyramid of industry broad based on a progressive rural economy will be built up."

3. The programmes for development of industries in underdeveloped areas and the consequent efforts at stimulation of entrepreneurship are intended to implement these basic policies.

#### The traditional industries: a classification

4. The small scale and village industries are broadly divided into three categories:

1) Those which form an integral part of the village economy like carpentry, blacksmithy, pottery etc. These industries are run by local, traditional artisans mainly to meet the local needs and, occasionally, for the nearby villages and small towns.

2) Those which represent traditional skills and crafts. These are called 'handicrafts' and are generally intended for an outside market within the country or abroad.

3) Those which are more developed and have intimate connection with the corresponding large-scale industries. These are engaged in the production of consumer goods, simple producer goods and parts and components through labour-intensive methods for the local, regional and, some times, national markets. These are called 'small scale industries'.

5. This paper is concerned mainly with the last category though incidental references are made to the other two categories and large-scale industries.

#### Objectives of small industry development programme

6. The Indian programme for developing modern small scale industries commenced towards the end of 1954. Its

main objectives are:

- 1) To increase employment opportunities.
- 2) To encourage a gradual, progress in the techniques of production in the unorganised sector of industry without causing any large-scale technological unemployment.
- 3) To promote production of a large variety of goods, specially consumer goods through labour intensive methods by co-relating them with production programmes in the large scale sector, where necessary.
- 4) To encourage and give support to the small industrialists, and,
- 5) To ensure a more equitable distribution of the national income and a balanced industrial development in different regions, i.e. to lay down the basis for an essentially decentralised society.

#### Comprehensive assistance

7. A comprehensive programme of assistance to this sector was drawn up to enable it to achieve the above objectives. It included:

- 1) Industrial Extension Service.
- 2) Liberal credit facilities.
- 3) Supply of machinery on hire-purchase basis.
- 4) Accommodation in industrial estates.
- 5) Participation in Government stores purchase programme.
- 6) Development of ancillaries.
- 7) Subsidy on supply of power, in some cases.

8. Suitable institutional framework was also set up to implement this programme. These include the Small Industry Development Organisation (SIDO), the National Small Industries Corporation (NSIC) the Small Industries Service Institutes (SISIs) and Extension Centres (ECs) set up by the Central Government and Directorates of Industries (DIs) State Small Industries Development Corporation (SSIDCs) set up by the State Governments.

### The entrepreneurial class

9. Even before this programme was initiated, there were a few small industries in the country started mainly by artisans and skilled workers during the Second World War period. Their number was increased by the large-scale migration of craftsmen from across the border immediately after partition. The founders of these small scale units were mostly, skilled mechanics, may be uneducated, but trained in some machine shop. They had a knack for using machinery. They often repaired an existing or discarded machine or fabricated some machines themselves for starting their units.

10. Soon after the small industry development programme was launched a vigorous programme of import substitution was also initiated to encourage industrialists within the country. Importers and wholesale merchants who know the market conditions quickly seized the opportunity to establish manufacturing units. These people however, preferred market centres, bigger towns and metropolitan areas for establishing their factories. It was precisely at these places that the SISIs and Ecs were located. These became focal points for the growth of small industries.

11. In spite of the fact that the SIDO operated a fleet of mobile workshops equipped with modern machine tools, bringing improved techniques to the very threshold of artisans in rural areas, no appreciable progress could be made in stimulating entrepreneurship in smaller towns and rural areas. In fact, some of the States which did not have the blessing of the earlier start of industrialisation or metropolitan marketing centres lagged behind the others. This in effect meant that one of the main objectives of the programme, viz., balanced and dispersed industrial growth remained unfulfilled.

12. Another important aspect on which the small industry development programme laid emphasis from the very beginning was the stimulation of entrepreneurship amongst the technician and artisan classes. The experience of the first few years led to the conclusion that this was also not being done to the desired extent.

13. A study of Industrial Entrepreneurship in Madras State by Dr. Barua, in 1960 covering 52 industrial establishments disclosed the background of the entrepreneurs as below:

<u>Background</u>	<u>No. of Enterprises.</u>
(1) Rural Artisans	3
(2) Factory workers	6
(3) Business and importers	15
(4) Graduate engineers with experience and other technicians.	16
(5) Land owners	4
(6) Entrepreneurs from professions and services.	5
	<u>TOTAL:- 52</u>

14. A similar study was made in a North Indian town by Mr. McCroxy. The sample was quite small, numbering 9. Eight of the nine factories were founded by artisans while one was by a businessman. He further found that amongst the nine, the businessman was the most successful. Even though the artisans brought with him intimate knowledge and production experience, he was lacking the businessman's experience which determined the real success of the industry.

15. Various ad hoc studies conducted by the SIDO revealed that the bulk of the entrepreneurs for starting the new enterprises were being drawn from the business community. The next in importance were those from services and professions and a few were being drawn from technically qualified and experienced persons.

16. The establishment of a network of SICIs and Extension Centres was, therefore, not sufficient to identify and develop entrepreneurship in the under developed areas. The situation had to be tackled vigorously and measures devised to bring into the small industries sector more entrepreneurs from the rural and under-developed areas and from the technician classes.

#### Some inhibiting factors

17. An analysis of the situation disclosed the main factors inhibiting the development of small industries (and the stimulation of entrepreneurship in the underdeveloped areas). These included:

Distance from the Administrative Agencies.

18. An intending industrialist, large or small, has necessarily to fulfil various formalities and obtain clearances, permits, etc., from various administrative agencies. These are invariably located at the State headquarters or some regional towns. In some cases, the Central Agencies are located in metropolitan cities or the port-towns. Since continuous touch with these agencies is essential, it became administratively convenient for entrepreneurs to establish their units at State capitals, metropolitan cities or port towns.

#### Distance from Sources of Supply

19. The industrialists have necessarily to obtain supplies of some raw materials from bigger centres of production. The suppliers are invariably located at the metropolitan centres which are also, the big marketing centres. In many cases, even if the bulk of the raw material is locally available, a part of the supplies had necessarily to be obtained from metropolitan sources. The entrepreneurs found it more economical to establish their factories near the sources of supply of raw materials which also happened to be the more important marketing centres.

Distance from markets, Technical skills,  
Skilled labour etc.

20. The established marketing centres of the country happen to be the metropolitan towns, port towns, State capitals, etc. These were the main collection and distribution centres for a wide hinterland which often included the underdeveloped areas. An entrepreneur located in an underdeveloped areas thus procures his raw material from the metropolitan town and then sends back the finished product to the same town for marketing adding unnecessarily to his costs. The educated technicians the foreman and skilled workers are more easily available in the metropolitan areas which already possess an industrial climate. Entrepreneurs in the under-developed areas have to attract them paying higher wages and salaries which further add to their costs.

#### **Lack of Social Amenities**

21. The smaller towns located in the under-developed areas, not to speak of villages, do not have adequate social amenities. Facilities for recreation, education, shopping, etc., being non-existent, skilled workers, supervisory and managerial personnel are reluctant to move to the under-developed areas inspite of higher remuneration.

#### **Lack of Infrastructure Facilities**

22. Above all, in many cases, the under-developed areas did not have adequate transport and communication facilities. In many places, power was not available in adequate quantities.

#### **Incentives experiments in Orissa**

23. It is the lack of the infrastructure facilities - economic and social - that made it difficult to attract industries to the underdeveloped areas. To overcome this difficulty, programmes had to be initiated at two levels, viz., the State and the Central levels. At the State level,

some State Governments which were considered backward in industrialisation devised special programmes and incentives to prospective entrepreneurs, to establish industries in their States. In certain cases, the State Governments, specified the underdeveloped regions and offered facilities to those establishing industries in these regions. At the Central level, a series of incentives were offered to stimulate entrepreneurship and route it to the underdeveloped areas. We may first consider the experiment made in a typical underdeveloped State, viz., Orissa\* at the State level.

24. The State Government of Orissa\* formulated two schemes, one to attract entrepreneurs to establish small scale industries anywhere in the State with State participation in share capital, and, the other, for assisting local bodies called Panchayati Samithis to establish industries in their areas. These are briefly described here.

#### 1. Equity Participation

25. The principle of State participation in equity capital was envisaged in the Industrial Policy Resolution, 1956. The Orissa Government formulated a special scheme to encourage qualified technical persons with limited capital resources to take up small scale enterprises. The scheme envisaged the setting up of small scale units by private limited companies in which the entrepreneurs will have at least 10 per cent of the total investment, the State contributing the balance. The unit will be run by the entrepreneur as its Managing Director, the State Government having its representative on the Board of Directors. The entrepreneur is given an opportunity to purchase Government shares over a period of time.

26. This scheme was later modified to include a provision converting a part of the Government equity shares into long-term loans, thus enabling the entrepreneur to have a higher share in the profits from the beginning. The

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\* Orissa is situated on the eastern coast line of the Indian Union and has a population of 21.93 million covering an area of 156,845 sq. kms. Orissa is considered an industrially backward state inspite of its economic wealth, minerals and forest resources.



intention was that the entrepreneur should be able to quickly buy over the equity shares held by the Government by utilising his share of the profits for the purpose and then repay Government loan also. These units are given a special preference in Government procurement. The small scale units set up under this scheme, it was found, come up in and around the State Capital and the District towns.

## 2. Panchayati Samiti Industries

27. The Panchayati Samiti Industry Programme in Crissa is an experiment in developing rural and semi-urban areas of the State on the basis of co-operative agro-industrial economy. According to the pattern adopted, the development of industries is the responsibility of Panchayats both at the village and at the block levels. To ensure the emotional attachment of the people to these industries, which alone would guarantee their continuity and growth, the State Government felt that industries should be taken to those places which deserve them. To give effect to this, a system of awarding prizes has been evolved and the prize winning Villages and Panchayat Samithis have been given the right to select and start suitable small scale industries. The State Government gives all help to the Panchayat institutions in organising and running the industrial units. The industries encouraged under this scheme are mainly agro-industries meant to provide house-building materials like carpentry units, blacksmithy units, brick and tile units or other industries which provide services like cold storage, stone crushing, lime manufacturing, etc.

28. The units are organised on a co-operative basis and all the workers are members of the Society with nominal share capital contribution. The prize awarded to the village panchayat is invested by the Society in the industry. The State Finance Corporation grants a loan. The building is constructed as part of the rural industrial estates programme. The State Bank is expected to provide working

capital. The Society is managed by a Board of Management as per the Cooperative Societies Act but the Managing Director is appointed by the Government.

29. This experiment demonstrates that there is scope for establishing modern small scale manufacturing units in rural areas where power, transport, water, etc. facilities are available. The programme, however, demands careful, planned effort to select the industries which utilise local raw material or meet local needs. Government assistance in finance, management and marketing will be essential for quite some time.

30. There are now about 100 units functioning under this scheme. Considering the magnitude of the problem in Orissa with fifty thousand villages, divided into 307 Community Development Blocks, it will be difficult to expect this programme to make a serious impact on the living conditions of the people. Efforts will have to be made to induce thousands of small industrialists to start industries in the rural and semi-urban areas. If they are shy at present, programmes to overcome this may have to be devised. The present scheme, though successful, instead of introducing more and more people into industries, seems to dampen their enthusiasm and divert the funds into a few cooperative ventures.

### Central Schemes

#### Intensive campaign

31. In order to hasten the decentralised development of small scale industries, the SIDD launched an integrated programme of industrial development in under-developed districts which offered potentialities for the development of small scale industries with regard to availability of raw materials, men, power, market, etc. This was to be achieved in closest co-operation with the State Dis, NSIC and other official and non-official agencies. This programme is known as the Intensive Campaign.

32. The underlying idea of this campaign is to create a climate conducive to the development of small scale industries by intensive instruction and propaganda about what was contemplated by the Government to the existing and prospective entrepreneurs. So far, Government agencies were helping those units which approached them for assistance of their own accord. But under this campaign, the officers of these agencies go to the prospective industrialists to solve their problems and guide them by suggesting suitable lines of investment and render technical assistance thus making possible for them to take up new lines of production and also to improve their existing crafts. The campaign was launched in all States. In Orissa, 3 districts out of 13 have been covered under this programme.

33. The campaign is launched in 4 stages. In the first stage, a quick survey of the industrial potentialities of the district is undertaken by a team of officers of the SIDO. This is followed by a contact programme. Officers from the Institute, the NSIC, the State Government and prominent non-officials of the district tour the area with a view to giving wide publicity to small industries programme. In fact, the aim is to co-ordinate the efforts of different agencies by chalking out a well planned scheme for the development of small scale industries. In the third phase, the officers make regular visits to the districts as a follow-up action. As a result of all this, popular enthusiasm is created and people in these areas become receptive to the idea of developing small scale industries. More assistance and advice is rendered to them so that their enthusiasm is kept alive and they achieve what they are told, they could.

34. Before launching the actual campaign, wide propaganda and publicity is done through distribution of published leaflets, pamphlets, survey reports, model schemes, etc. It is followed by the demonstration of modern techniques of production, mobile workshops, radio talks, etc. Meetings and group discussions are also held in which officers of

the Central and State Governments, local M.Ps and M.L.As and existing and potential industrialists participate. The officers suggest those industries which are suitable for development keeping in view the resources available in the district and also the demand in the area as well as surrounding districts. The officers also give guidance with regard to improved methods of production, reduction in cost of production, reduction in wastage of raw materials and human resources, installation of improved machines, etc. As already mentioned, the primary aim of this campaign is to create a climate conducive to the development of small scale industries in specific areas. People in these areas are informed about the facilities available for starting new industries, improving their existing crafts and the help that the Government would offer them in their efforts to industrialise their districts. It can be said that by and large, this aim has been steadily achieved. People in these areas evinced interest in the industries and have utilised the various services offered by the Central and State Governments.

35. The pattern of work in the intensive campaign may be summarised as follows:-

i) Meetings in localities, small enough to guarantee personal touch, are arranged and various kinds of assistance, incentives and facilities provided by Central and State Governments, the NSIC, the State Bank of India and the State Financial Corporations are explained to the prospective entrepreneurs and others;

ii. Demonstrations with the assistance of mobile vans are conducted in order to show artisans and intending entrepreneurs the working of modern wood-working machines, machines for making leather footwear and for smithy etc.

iii. Exhibition of industrial films of interest to the entrepreneurs is arranged at all places.

iv. Prospects for developing particular industries in which interest is evinced are discussed personally and in detail and the industries holding potential for development from the point of view of available local resources as well as general market demand are indicated;

v. Visits to existing local industrial units are arranged and the current position and problems of the units are studied and suggestions concerning measures for improvement and expansion are expressed;

vi. Schemes for suggested items of manufacture to suit the investing abilities of entrepreneurs are prepared;

vii. Printed publicity pamphlets and priced model schemes and Analysis & Planning Reports issued by the SEDCO are distributed or sold;

viii. Entrepreneurs are helped in completing the forms for Hire Purchase and in the making of declarations, if any, before Magistrates.

ix. Verifications are obtained from the Assistant Director of Industries;

x. New Industries which can utilise idle plant capacity in existing units are suggested;

xi. The working of existing industrial cooperatives is studied with a view to suggesting measures for development and improvement.

36. The intensive campaigns gave the necessary stimulation to existing and prospective entrepreneurs. The enthusiasm thus created, it was realised, was short-lived since the administrative agencies which came together to the door-steps of the entrepreneur did not remain there long enough to sustain his enthusiasm till he successfully establishes his unit and runs it profitably. Moreover, industrialisation of under-developed areas, it was increasingly realised, could not be the sole responsibility

of industrial administrators, much less of small industry alone. Small industry could be a useful instrument for decentralised industrial development but, it would be wastefully ineffective unless used in combination with other means to influencing spatial pattern of development. In other words, efforts are needed for overall 'area development' by bringing other developmental departments like agriculture, animal husbandry, public works, transport, communications, etc., along with industries so that each of the development programmes would act and interact on each other and set in motion the growth spiral. Even within the 'growth area', it is more useful to concentrate on a 'growth centre' rather than spread the available assistance thinly over a wide area.

#### Rural industries projects

37. Again, at the all India level, the planning commission initiated in 1961 a Rural Industries Projects (RIP) Programme based on the 'area' development approach.

38. It aimed at all-round development of agriculture, irrigation, transport, communications, power, social services, etc., along with industry. The aim and total long-term effect of the programme was to convert the present lop-sided purely agricultural community into balanced, agro-industrial community.

39. It was a Centrally sponsored scheme. Special administrative arrangements were evolved at various levels for its effective implementation. At the Centre, a high-powered committee, viz., Rural Industries Planning Committee with the Deputy Chairman of the Planning Commission as its chairman was appointed. At the State level a similar advisory committee with the State Chief Minister as Chairman was set up. At the project or local level, another committee was set up, consisting of concerned

Departmental chiefs at the District level, mainly for drawing up plans and supervising their implementation. In the Committees at the three levels, a number of non-official social workers were associated to secure their co-operation and assistance.

#### Project Organisation

40. A special team of officers was appointed in each project. This consisted of a Project Officer of the level of Deputy Director of Industries in the State, a Planning-Survey Officer of the level of Assistant Director, two economic investigators and technical extension staff. Apart from funds available under normal State Plan budgets and from institutional agencies, additional nucleus funds were provided by the Centre to finance the scheme. Although the responsibility for formulation and implementation of the programme in the project areas was that of the State Governments, the Central Government provided overall guidance and took decisions on policy issues. The programme in the project areas is mainly of promotional character such as provision of training facilities, common service facilities, marketing facilities, credit, purchase of machinery, construction of worksheds and working capital. The programme envisages provision of technical assistance and guidance.

41. To start with, preliminary techno-economic survey were undertaken in each project area with a view to assessing their resources, material as well as human, and also to determine the possibilities and potentials of industrial development. Development programmes were drawn up on the basis of the findings of the surveys.

42. The Rural Industries Programme is in operation for over 10 years and is now accepted as an appropriate instrument for creating large employment opportunities of permanent character offering reasonably substantial wages to workers in rural areas.

### Fiscal and Financial Incentives

43. Experience has shown that Rural Industries Projects could be utilised to sustain and develop the existing rural artisans and set up small-sized industrial units. While this was a substantial gain, it was felt that it did not contribute equally substantially for the removal of regional imbalances in industrial development. More particularly, large and medium enterprises and the more sophisticated and bigger amongst the small scale units could not be induced to move into the under-developed areas. The more progressive new entrepreneurs continue to be attracted to the State capitals, metropolitan towns, etc. It was felt that a more serious effort was necessary to attract these to the underdeveloped areas. For this purpose a series of fiscal and financial incentives were devised. These include:

- i. Outright grant/subsidy amounting to 15 per cent of the fixed capital investment of the unit in specified backward districts/areas.
- ii. Financial assistance on easy terms in 231 selected backward districts by financial institutions.
- iii. Transport subsidy equivalent to 50 per cent of transport cost of raw materials and finished goods in certain specified far off areas.
- iv. Liberalised import of machinery and raw materials for units manufacturing items reserved for small-scale sector.
- v. Priority in the supply of machines on hire-purchase by the National Small Industries Corporation.

44. In Orissa State, four districts out of 13 have been covered under this scheme. In the country as a whole, 227 districts have been brought under this scheme.



### A New Dimension to the problem of entrepreneurship

45. In the meanwhile, the rising unemployment amongst the educated classes, particularly the technically-educated, has given a new urgency and a new dimension to the problem. It was realised that the educated unemployed and the technically experienced could be developed into entrepreneurs particularly for the small scale sector. To achieve this, however, it is not mere stimulation of entrepreneurship, but also its sustenance till the motivated, prospective entrepreneur becomes an actual industrialist seemed necessary. A scheme of entrepreneurial development was, therefore, adopted during 1967-68.

46. The entrepreneurial development programme started with training of engineers for entrepreneurship. The training programme aimed at stimulating entrepreneurship, motivating the prospective entrepreneurs, guiding them in selecting a project line and preparing a feasibility report, and assisting them in obtaining financial and other facilities for setting up the unit. The SIDC was given the responsibility to implement this programme. Thus, starting with stimulation of entrepreneurship the programme has gradually covered all steps necessary to put the industrial unit on the ground and responsibility for it has been taken by a single agency. This programme was taken up all over the country and training courses were started at all SISIs and some other interested institutions.

### Efforts at the State Level

47. While the entrepreneurship development (training) programme was initiated from the Centre, various States have taken the initiative to evolve their own entrepreneurial development programmes in addition to the Central programme. In this connection, the experiments made in three States, viz., Gujarat, Andhra Pradesh and J&K are significant.

Gujrat.\*

48. The Gujrat entrepreneurial development programme is intended to develop entrepreneurs from employees, workers, merchants, graduates and all those who have an idea of what they want to manufacture and have the initial motivation to implement their ideas. A growing, continuous supply of new entrepreneurs who will take up small and medium-sized industries offers a remarkably simple solution for many critical problems such as finding productive employment to educated unemployed, dispersing economic opportunities to a wider class and accelerating the rate of economic growth.

49. An entrepreneurship training programme was developed to provide a continuous stream of new entrepreneurs. It provides for guidance to the prospective entrepreneurs on selection, financing, establishing and efficient running of their own industrial units. The trainees are selected after elaborate tests for entrepreneurial identification. These tests are specially devised for the programme by the Behavioral Science Centre, New Delhi and explore in depth the candidates' achievement motivation, decision making capacity, risk taking ability, inner fears, capacity to stand pressure of competition and uncertainty, etc. The training is spread over a period of 90 days and includes theoretical and practical training. The participants are advised to continue their existing jobs during their training period. They have to devote only three hours every day to the training programme. The participants are required to pay a token fee of Rs. 30/- for the entire programme. During the training period, the participants are given ample

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\*Gujrat: With an area of 187,091 square kilometres and a population of 26.60 million Gujrat State is situated on the western coast of the Indian peninsula. Gujrat is rich in mineral resources and oil and natural gas. The State has been well known for its textile industry. Other major industries include general and electrical engineering, vegetable oils, chemicals, soda ash and cement. The State has 46 ports, one being major, eight medium, twenty-three minor.

opportunity to visit factories and develop their own project ideas into concrete investment proposals. They conduct market studies, collect information on prices, demand estimates, raw material quotations, etc., for the product selected by them and meet the organisations and individuals who have a hand in enabling them to implement their projects successfully later.

50. An analysis of the participants in the first four training courses conducted under this scheme disclosed that 45 per cent of them were employees with sound product idea including technical know-how and some years of experience; another 29 per cent were technicians with a good idea about the product but little or no practical experience. Merchants, salesman and other categories accounted for the other 27 per cent of the candidates. Since the whole programme was intended for the educated unemployed, the bulk of the candidates - over 88 per cent were drawn from these classes.

51. A special feature of the programme is that it is not restricted to the educated unemployed only, but that it aims at recruiting, stimulating and developing entrepreneurs from all categories, including those already employed. In Gujrat, the emphasis is on setting up modern small scale industries and medium sized industries.

Andhra Pradesh\*

52. The schemes encouraged by the Andhra Pradesh Government for educated unemployed are mostly self-employment schemes. The units are generally smaller in size and include many businesses like tailoring, laundry, cycle

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\*Andhra Pradesh with an area of 274,674 square kilometres and a population of about 43.38 million is the fifth largest and fourth most populous state in the Indian Union. On the Eastern side of the State lies sprawling coast line of nearly 1,000 kilometres, having a chain of 10 ports including the famous Visakhapatnam (Vizag) harbour. The State is endowed with rich mineral and other resources, yet its economic growth has all the characteristics of an underdeveloped area with accent on conventional agricultural and allied occupations. However, as a result of several measures taken during successive Five Year Plans, a number of major industries, in the public as well as private sectors, have come to be established in the State.

rikshaw, type-writing institutes, photographic studies etc. Besides, small scale units to manufacture such sophisticated items as tape recorders, record changers, microscopes, eliminators, cyclinder liners, industrial conductors, etc. etc. are also encouraged. In the self employment programme, the financial institutions are involved from the beginning and participate in the scrutiny of schemes and they accept responsibility for financing the entrepreneurs. The selected entrepreneurs are thus given viable schemes for self-employment together with a guarantee of financial assistance from the selected financial institutions. This is followed by a training programme to give necessary management orientation to the selected entrepreneurs. Implementation committees are established at different places to follow-up the progress of the different participants till they actually set up and begin to run their industrial units.

#### Jammu & Kashmir\*

53. The Jammu & Kashmir Government have initiated a self-employment programme for the educated unemployed to cover about 4,000 persons per annum. Under the programme, the educated unemployed are given financial assistance to set up their own enterprises connected with agricultural industries, handicrafts and trading. The selected, prospective entrepreneurs are given training, technical know-how, machinery, raw materials and marketing support. As an incentive each person covered under the programme is given a monthly stipend for a period of one year or more while he

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\* Jammu & Kashmir, the northern-most state of the Indian Union, is one of the largest States covering an area of 222,870 sq. Kms. with a population of 4.6 million. More than 20 per cent of the population depends upon agriculture. Mineral deposits like coal, lignite, petroleum, lead, zinc, copper, maganese, iron, graphite etc., occur in the State. The State is rated among the most backward areas of the country from the point of view of industrial development.

is under training and setting up his unit. The entrepreneurs are put through an entrepreneurial development courses and then helped in preparing feasibility reports for the items selected by them. The banks are actively associated in this programme so that financial assistance could be ensured for the new units. Similarly, other departments which supply inputs like land and building, machinery and equipment, raw materials, power, etc. are associated with the scheme from the beginning.

54. The J&K scheme is intended mainly for the small entrepreneurs for self-employment in small industry, handicrafts, trade and commerce.

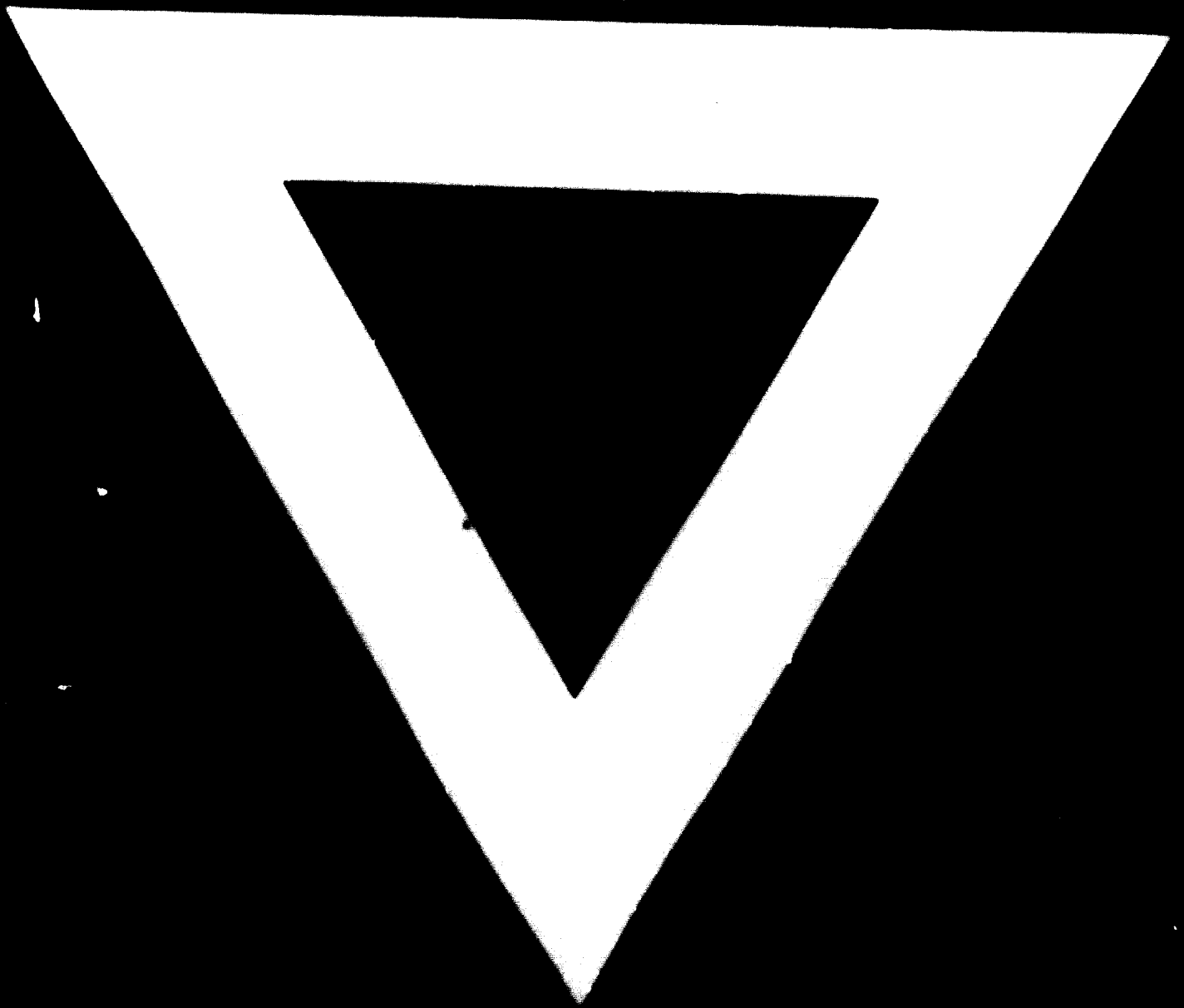
#### Package of Consultancy Services

55. The Entrepreneurial Development Programme is continuing and is being further intensified during the Fifth Plan period (1974-79) to meet the problem of increasing unemployment amongst the educated classes. It would, therefore, be premature at this stage, to assess the programme recently launched at the Central and State levels. The limited experience discloses, however, that stimulation of entrepreneurship by itself is not sufficient. The 'stimulation' programme has to be backed up by adequate industrial extension service which would pay continuous attention to the entrepreneurs, help them in their efforts to secure all facilities required and guide them in establishing and running their factories. In other words, 'stimulation' has to be followed by 'development' of entrepreneurship. To facilitate this, a programme to provide 'package of consultancy services' to such entrepreneurs is mooted and will be implemented vigorously during the 5th Five Year Plan. The essence of this 'package of consultancy services' is that the existing administrative procedure for giving essential facilities to small entrepreneurs, including power, water, machinery, accommodation, raw materials, finance, equipment on hire purchase, etc., will be reviewed

and provided through a single, suitable agency at the State, regional and, wherever considered necessary, at the District levels, so that the small entrepreneurs do not have to approach all the individual agencies concerned with such facilities. In order to facilitate better implementation of the programme of industrialisation of underdeveloped areas, it has also been decided to give special attention to provision of infra-structure facilities like power, water, transport and communications, industrial accommodation, industrial townships, etc., at selected growth centres so that new entrepreneurs might come up there in clusters, in the form of industrial estates.

56. Stimulation of entrepreneurship, important as it is, cannot become fully effective, unless it is well co-ordinated with and becomes a part of an over all programme for industrialisation of the under developed regions of any country.





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