

ENTREPRENEURSHIP

Most of what you hear about entrepreneurship, says America's leading management thinker is all wrong. It's not magic; it's not mysterious; and it has nothing to do with genes. It's a discipline and, like any discipline, it can be learned.

THE EVOLUTION OF ENTREPRENEURSHIP

The word entrepreneur is derived from the French *entreprendre*, meaning "to undertake". The **entrepreneur** is one who; undertakes to organize, manage, and assume the risks of a business. In recent years entrepreneurs have been doing so many things that it is necessary to broaden this definition. Today, an entrepreneur is an innovator or developer who recognizes and seizes opportunities converts those opportunities into workable/marketable ideas adds value through time, effort, money, or skills assumes the risks of the competitive; market place to implement these ideas and realizes the rewards from these efforts.¹

The entrepreneur is the aggressive catalyst for change in the world of business. He or she is an independent thinker who dares to be different in a background of common events. The literature of entrepreneurial research reveals some similarities, as well as a great many differences, in the characteristics of entrepreneurs. Chief among these characteristics are personal initiative, the ability to consolidate resources, management skills, a desire for autonomy, and risk taking. Other characteristics include aggressiveness, competitiveness, goal-oriented behaviour, confidence, opportunistic behavior, intuitiveness, reality-based actions, the ability to learn from mistakes, and the ability to employ human relations skills.²

Although no single definition of *entrepreneur* exists and no one profile can represent today's entrepreneur, research is providing an increasingly sharper focus on the subject. A brief review of the history of entrepreneurial illustrates this.

America currently is in the midst of a new wave of business and economic development, and entrepreneurial is its catalyst. Yet the social and economic forces of entrepreneurial activity existed long before the 1990s. In fact, as noted in Chapter 1, the entrepreneurial spirit has driven many of humanity's achievements.

¹For a compilation of definitions, see Robert C. Ronstack. *Entrepreneurship* (Dover, MA: Lord Publishing, 1984), 28; Howard H. Stevenson and David E. Gampert. "The Heart of Entrepreneurial," *Harvard Business Review* (March/April 1985): 85-94; and J. Barton Cunningham and Joe Lischeron, "Defining Entrepreneurship," *Journal of Small Business Management* (January 1991): 45-61.

²See Calvin A. Kent, Donald L. Sexton, and Karl H. Vesper, *Encyclopedia of Entrepreneurial* (Englewood Cliffs: Prentice Hall, 1982); Ray V. Montagno and Donald f. Kuratco, "Perception of Entrepreneurial success Characteristics," *American Journal of Small Business* (winter 1986): 25-32; and Thomas M. Begley and David P. Boyd. "Psychological Characteristics Association with Performance in Entrepreneurial Firms and Smaller Businesses," *Journal of Business Venturing* (winter 1987): 79-91.

Humanity's progress from caves to campuses has been explained in numerous ways. But central to virtually all of these theories has been the role of the "agent of change," the force that initiates and implements material progress. Today we recognize that the agent of change in human history has been and most likely will continue to be the entrepreneur.³

The recognition of entrepreneurs dates back to eighteenth-century France when economist Richard Cantillon associated the "risk-bearing" activity in the economy with the entrepreneur. In England during the same period, the Industrial Revolution was evolving, with the entrepreneur playing a visible role in risk taking and the transformation of resources.⁴

The association of entrepreneurial and economics has long been the accepted norm. In fact, until the 1950s the majority of definitions and references to entrepreneurial had come from economics. For example, Cantillon (1725), just mentioned; Jean Baptiste Say (1803), the renowned French economist and Joseph Schumpeter (1934), a twentieth century; economic genius, all wrote about entrepreneurship and its impact on economic; development.⁵ Over the decades writers have continued to try to describe or define what entrepreneurial is all about. Here are some examples:

Entrepreneurship...consists in doing things that are not generally done in the ordinary course of business Routine; it is essentially a phenomenon that comes under the wider aspect of leadership.⁶

Entrepreneurship, at least in all non authoritarian societies, constitutes a bridge; between society as a whole,

In entrepreneurship, there is agreement that we are talking about a kind of behavior that includes: (1) initiative taking, (2) the organizing or reorganizing of social economic mechanisms to turn resources and situations to practical account, and (3) the acceptance of risk of failure.⁸

After reviewing the evolution of entrepreneurial and examining its varying definitions, Robert C. Ronstadt put together a summary description.

Especially the non economic aspects of that society, and the profit-oriented institutions established to take advantage of its economic endowments and to satisfy, as best they can, its economic desires.⁷

³Kent, Sexton, and Vesper, Encyclopedia of Entrepreneurship, xxix

⁴Israel M. Kirzner, Perception, Opportunity, and Profit: Studies in the Theory of Entrepreneurship (Chicago: University of Chacatgo Press, 1979) 38-39

⁵See Ronstadt, Entrepreneurial, 9-12

⁶Joseph Schumpeter, "Change and the Entrepreneur," in Essays of J.A. Schumpeter, ed. Richard V. Clemence (Reading, MA: Addison-Esley, 1951), 255

⁷Arthur Cole, Business Enterprise in its Social Setting (Cambridge, MA: Harward University Press, 1959), 27-28

⁸Albert Shapero, Entrepreneurial and Economic Development, Project ISEED Ltd. (Milwauker, WI:Center for Venture Management, summer 1975), 187

Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment of providing value for some product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources.⁹

Entrepreneurship as a topic for discussion and analysis was introduced by the economists of the eighteenth century. And it continued to attract the interest of economists in the nineteenth century. In the present century, the world has become synonymous or at least closely linked with free enterprise and capitalism. Also, it is generally recognised that entrepreneurs serve as agents of change provide creative, innovative ideas for business enterprises; and help businesses grow and become profitable.

Whatever the specific activity they engage in, entrepreneurs today are considered the heroes of free enterprise. Many of them have used innovation and creativity to build multimillion-dollar enterprises from fledgling businesses—some in less than a decade. These individuals have created new products and services and have assumed the risks associated with these ventures. Many people now regard entrepreneurial as “pioneership” on the frontier of business.

Entrepreneurial is the ability to create and build a vision from practically nothing fundamentally it is a human, creative act. It is the application of energy to initiating and building an enterprise or organization, rather than just watching or analyzing. This vision requires a willingness to take calculated risks—both personal and financial – and then to do everything possible to reduce the chances of failure. Entrepreneurship also includes the ability to build an entrepreneurial or venture team to complement your own skills and talents. It is the knack for sensing an opportunity where others see chaos, contradiction, and Confusion. It is possessing the know-how to find, marshal, and control resources (often owned by others).¹⁰

⁹Ronstadt, Entrepreneurial, 28

¹⁰Jeffrey A. Timmons, New Venture Creation, 4th ed. (Homewood, IL Irwin, 1994) 7-8

THE MYTHS OF ENTREPRENEURSHIP

Throughout the years many myths have arisen about entrepreneurial. These myths are the result of a lack of research on entrepreneurial. As many researchers in the field have noted, the study of entrepreneurial is still emerging, and thus “folklore” will tend to prevail until it is dispelled with contemporary research findings. Ten of the most notable myths with an explanation to dispel each myth appear next.

Myth 1: Entrepreneurs Are Doers, Not Thinkers

Although it is true entrepreneurs tend toward action, they are also thinkers indeed, they are often very methodical people who plan their moves carefully. The emphasis today on the creation of clear and complete business plans (see Part 2) is an indication that “thinking” entrepreneurs are as important as “doing” entrepreneurs.

Myth 2: Entrepreneurs Are Born, Not Made

The idea that the characteristics of entrepreneurs cannot be taught or learned, that they are innate traits one must be born with has long been prevalent. These traits include aggressiveness, initiative, drive, and a willingness to take risks, analytical ability, and skill in human relations. Today, however, the recognition of entrepreneurship as a discipline is helping to dispel this myth. Like all disciplines, entrepreneurship has models, processes, and case studies that allow the topic to be studied and the knowledge to be acquired.

CONTEMPORARY ENTREPRENEURSHIP

The E-Myth

Michael E. Gerber has written a book titled *The E-Myth: Why Most Businesses Don't Work and What to do about it*. He clearly delineates the differences among the types of persons involved with contemporary small businesses. These persons are the following.

- The entrepreneur invents a business that works without him or her. This is a visionary who makes a business unique by imbuing it with a special and exciting sense of purpose and direction. The entrepreneur's far-reaching perspective enables him or her to anticipate changes and needs in the market place and to initiate activities to capitalize on them.
- The manager produces results through employees by developing and implementing effective systems and, by interacting with employees, enhancing their self-esteem and ability to produce good results. The manager can actualize the entrepreneur's vision through planning, implementation, and analysis.
- The technician performs specific tasks according to systems and standards management developed. The technician, in the best of businesses, not only gets the work done but also provides input to supervisors for improvement of those systems and standards.

Understanding these definitions is important, because Gerber contends that most small businesses don't work; their owners do. In other words, he believes that today's small-business owner works too hard at a job that he or she has created for himself or herself rather than working to create a business. Thus, most small businesses fail because the owner is more of a "technician" than an "entrepreneur" Working only as a technician, the small-business owner realizes too little reward for so much effort, and eventually, according to Gerber, the business fails.

The E-Myth is that today's business owners are not true entrepreneurs who create businesses but merely technicians who now have created a job for themselves. The solution to this myth lies in the owner's willingness to begin thinking and acting like a true entrepreneur: to imagine how the business would work without him or her. In other words, the owner must begin working on the business, in addition to working in it. He or she must leverage the company's capacity through systems development and implementation. The whole key is a person developing an "Entrepreneurial Perspective."

Myth 3: Entrepreneurs Are Always Inventors

The idea that entrepreneurs are inventors is a result of misunderstanding and tunnel vision. Although many inventors are also entrepreneurs, numerous entrepreneurs encompass all sorts of innovative activity.¹¹ For Example, Ray Kroc did not invent the fast-food franchise, but his innovative idea made McDonald's the largest fast-food enterprise in the world. A contemporary understanding of entrepreneurial covers more than just invention. It requires a complete understanding of innovative behavior in all forms.

Myth 4: Entrepreneurs Are Academic and Social Misfits

The belief that entrepreneurs are academically and socially ineffective is a result of some business owners having started successful enterprises after dropping out of school or quitting a job. In many cases such an event has been blown out of proportion in an attempt to "profile" the typical entrepreneur. Historically, in fact, educational and social organizations did not recognize the entrepreneur. They abandoned him or her as a misfit in a world of corporate giants. Business education, for example, was aimed primarily at the study of corporate activity. Today the entrepreneur is considered a hero – socially, economically, and academically. No longer is a misfit, the entrepreneur now viewed as a professional.

SOURCE: Adopted from Michael E. Gerber, *The E-Myth: Why Most Businesses Don't Work and What to Do about it* (New York: Horper Business, 1986): and personal interview, 1993.

Myth 5: Entrepreneurs Must Fit the “Profile”

Many books and articles have presented checklists of characteristics of the successful entrepreneur. These lists were neither validated nor complete. They were based on case studies and on research findings among achievement-oriented people. Today we realize that a standard entrepreneurial profile is hard to compile. The environment, the venture itself, and the entrepreneur have interactive effects, which results in many different types of profiles. Contemporary studies conducted at universities across the United States will in the future, provide more accurate insights into the various profiles of successful entrepreneurs. As we will show in Chapter 4, an “Entrepreneurial Perspective” within individuals is more understandable than a particular profile.

Myth 6: All Entrepreneurs Need is Money

It is true a venture needs capital to survive; it is also true a large number of business failures occur because of a lack of adequate financing. Yet having money is not the only bulwark against failure. Failure due to a lack of proper financing often is an indicator of other problems: managerial incompetence, lack of financial understanding, poor investments, poor planning, and the like. Many successful entrepreneurs have overcome the lack of money while establishing their ventures. To those entrepreneurs, money is a resource but never an end in itself.

Myth 7: All Entrepreneurs Need Is Luck

Being at “the right place at the right time” is always an advantage. But “luck happens when preparation meets opportunity” is an equally appropriate adage. Prepared entrepreneurs who seize the opportunity when it arises often seems “lucky”. They are, in fact, simply better prepared to deal with situations and turn them into successes. What appears to be luck really is preparation, determination, desire, knowledge, and innovativeness.

¹¹John B. Miner, Norman R. Smith, and Jeffrey S. Bracker, “Defining the Inventor-Entrepreneur in the Context of Established Typologies,” *Journal of Business Venturing* (March 1992): 103-13

ENTREPRENEURSHIP AND ENTREPRENEUR

WHAT IS ENTREPRENEURSHIP AND WHO IS AN ENTREPRENEUR?

`Entrepreneur and Entrepreneurship' have become popular and respectable words today. We use the term entrepreneur to describe men and women who set up and manage their own business. The process involved in this is called entrepreneurship.

The real meaning of an entrepreneur is becoming more and more clear with the passage of time. Certain special characteristics, roles and economic functions have begun to be attributed to him/her. In this chapter, we are going to look at these personality characteristics (traits) and functions in detail.

Entrepreneurship is an activity that aims at starting, establishing and increasing the size of an enterprise that produces and markets goods or services. It is a creative act. It involves an attitude that tries to find out opportunities and then derive benefits from them.

You may have realised that first of all an entrepreneur has to be a highly motivated person. He or she will have to take initiative at various stages in organising and reorganizing resources like money, materials and manpower to produce goods or services. In this process he/she will have to continually innovate. The entrepreneur also has to take risks in terms of money, time, technology, career commitment and social relationships. The monetary reward for these activities comes in the form of profit. But there is a certain amount of uncertainty about this reward.

MOTIVATION

Motivation comes from the word 'motive' (or goal). It means the urge in an individual to achieve a particular goal. In other words, it is the need to achieve that motivates a person. You may find many people with sufficient financial resources and family support who are interested in independent ventures. Yet, very few actually start their businesses. Why is it so? Because they are comfortable in doing routine jobs and have no higher goals in life. They lack 'motivation'. Entrepreneurs generally are highly active. They struggle constantly to achieve something better than what they already have. They like to be different from others and are ready to work hard to reach their goal. Persons experiencing constant need to achieve always try to understand their strengths and weaknesses. This enables them to seek external help whenever needed.

Let us take a look at the 'Vadilal' group which is household name today in Gujarat. 'Vadilal ice cream' is a premier brand in the consumer market. You may be surprised to know that Ramachandra Gandhi and Laxman Gandhi, the two brothers who founded the Vadilal Empire, could not even complete their school education. They started in a small way by selling homemade ice cream in the city of Ahmedabad. Now, Vadilal is the largest ice cream company in the country.

How did they do it? They did not stop thinking big. They had the courage to do what they wanted to. Entrepreneurial persons seek rewards or returns earned through their own efforts and do not depend upon 'luck'. They do not like to be idle. The following case is a very good example:

Balachandran is a commerce graduate and belongs to a lower middle class family in Tamil Nadu. Even as a student, his ambition was to become his own boss one day. With this desire, he attended an Entrepreneurship Development Programme (EDP) at Karaikudi, in Tamil Nadu. This strengthened his self-confidence. His idea was to produce high molecular high density shopping bags. But he could not manage to procure the finances and hence dropped the idea.

However, he did not lose hope. With just ` 500/- in his pocket, he left for Madras. He started selling used packing cartons and earned some money. In the meantime he happened to meet a commercial artist, who used to work in the field of advertising. Balachandran become his assistant and started earning ` 300/- a month. The salary was too small and therefore he also began working independently. He started getting closer to his dream of having an enterprise of his own.

By December 1988, he had set up his own outdoor advertising unit and had quit his job. The first order comes from Kquality Ice Cream. He has thereafter been manufacturing acrylic glow signboards and also doing engraving work and screen-printing. His clients include big names like Cadbury India and Pepsi. By 1993, he had set up three enterprises of his own.

RISK TAKING

Risk-taking implies taking decisions under conditions where the reward on a certain action is known, but the occurrence of the even is uncertain. While doing so, an entrepreneur becomes responsible for the result of the decision. This responsibility however cannot be insured against failure.

Imagine that you are a qualified pharmacist and that you have got a large sum of money from your parents. Which of the following options would you chose?

- a) Invest in a bank deposit with 8 per cent annual interest;
- b) Invest in a company with a possible return of 15 percent;
- c) Start a medical shop in your locality (because people there have to travel a long distance to get medicines) with a fairly good chance of marking an immediate return of around 10 per cent. (You are also aware that the business is sustainable and can bring in more returns (20, 30 or 50%) in future if you put in your time and effort);
- d) Try your luck in the share market.

Clearly, option `c' calls for an entrepreneurial quality. Remember that successful entrepreneurs usually choose the moderate or middle path. They are not `gamblers'. At the same time, they are not afraid of taking a decision if there is a reasonable chance of success.

You must be aware that businessmen and women spend considerable amount of time planning their enterprises. They study the market, technology, examine and re-examine the demand, the prices, machinery and processes involved, make detailed enquiries about sources of finance and think about other business lines. Why do you think they do through all these processes? In order to minimize the risks involved and avoid difficulties that may arise in the future, as far as possible.

INNOVATION

The process of commercialising an invention is innovative. For example, steam as an alternative source of energy was invented as early as AD 100. Later, in 1712, when it was used to run engines then the process was called innovative. In simple words, it business activity, novelty may take any one or a combination of the following:

- a) New products;
- b) New methods of production;
- c) New markets;
- d) New sources of raw material; or
- e) New forms of organisation

Innovation is a critical aspect of entrepreneurship. Entrepreneurs always try to create new and different values and get satisfaction in doing so. They try to convert a material into a resource or, combine the existing resources in a new and more productive manner. The act of innovation thus provides resources with a new capacity to create wealth.

The story of Penicillin, the popular antibiotic that is use against a variety of diseases and infections explains what innovation can do in our society. Penicillin is made of a particular fungus or `mould'. Till the beginning of 1920s, scientists considered this fungus a nuisance, as it used to destroy their bacteria cultures. They were desperately trying to get rid of it. A doctor from London, Alexander Fleming, realized that this `nuisance' was nothing but the `bacteria killer', the scientists were searching for! All of a sudden Penicillin become a valuable `resource'. Innovation and change are in fact the most distinguished features of entrepreneurship. It needs not only your ability to `create', but also the ability to understand your surroundings. The various functions an entrepreneur performs are **He/She**

- 1) Searches for and discovers economic opportunities
- 2) Evaluates the economic opportunities
- 3) Arranges for financial resources necessary for the enterprise
- 4) Make time-bound arrangements
- 5) Take ultimate responsibility for management of the enterprise
- 6) Is the ultimate uncertainty/risk bearer?

- 7) Is responsible for providing motivation within the enterprise
- 8) Searches for and discovers new economic information
- 9) Translates these information into new markets, techniques and goods
- 10) Provides leadership to the workers

Mr. Karsanbhai Patel, the proud founder of `Nirma' washing powder belongs to a family of farmers in a small village in Gujarat. After having completed B. Sc. in Chemistry, he began working as a laboratory technician. But soon, with limited know-how acquired from his work, Karsanbhai began to manufacture a detergent in the backyard of his house. Finally, in 1969 he had set up `Nirma Chemical Works' with an investment of Rs. 1000/- obtained from friends and relatives. He gave up his Job in 1972 and ventured into full time manufacturing. Ever since then, the `Nirma' empire has been growing and is now one of the world's largest detergent producers.

THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

An act to provide for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises and for matters connected therewith or incidental thereto.

WHEREAS a declaration as to expediency of control of certain industries by the Union was made under section 2 of the Industries (Development and Regulation) Act, 1951;

AND WHEREAS it is expedient to provide for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises and for matters connected therewith or incidental thereto;

BE it enacted by Parliament in the Fifty-seventh Year of the Republic of India as follows:

PRELIMINARY

This Act may be called the Micro, Small and Medium Enterprises Development Act, 2006.

- (1)** (Short title and commencement.)
- (2)** It shall come into force on such date as the Central Government may, by notification, appoint; and different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision. (Definitions)

2. In this Act, unless the context otherwise requires

(a) “Advisory Committee” means the committee constituted by the Central Government under sub-section (2) of section 7; (b) “appointed day” means the day following immediately after the expiry of the period of fifteen days from the day of acceptance or the day of deemed acceptance of any goods or any services by a buyer from a supplier.

© Explanation – For the purpose of this clause,

- i) “The day of acceptance” means,
 - (a) The day of the actual delivery of goods or the rendering of services; or
 - (b) Where any objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day on which such objection is removed by the supplier
- (ii) “the day of deemed acceptance” means, where no objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day of the actual delivery of goods or the rendering of services;

(65 of 1951)

“Board” means the National Board for Micro, Small and Medium Enterprises established under section 3;

(61 of 1981)

- (d) “Buyer” means whoever buys any goods or receives any services from a supplier for consideration;
- (e) “enterprise” means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services;
- (f) “Goods” means every kind of movable property other than actionable claims and money;
- (g) “Medium enterprise” means an enterprise classified as such under sub-clause (iii) of clause (a) or sub-clause (iii) of clause (b) of sub-section(1) of section 7;
- (h) “Micro enterprise” means an enterprise classified as such under sub-clause (i) of clause (a) or sub-clause (i) of clause (b) of sub-section (1) of section 7;

(2 of 1934)

- (i) “National Bank” means the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
- (j) “Notification” means a notification published in the Official Gazette;
- (k) “Prescribed” means prescribed by rules made under this Act;
- (l) “Reserve Bank” means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934;

(1 of 1956)

- (m) “Small enterprise” means an enterprise classified as such under sub-clause (ii) of clause (a) or sub-clause (ii) of clause (b) of sub-section (1) of section 7;
- (n) “Supplier” means a micro or small enterprise, which has filed a memorandum with the authority, referred to in clause (a) of sub-section (1) of section 8, and includes,

(39 of 1989)

- (i) The National Small Industries Corporation, being a company, registered under the Companies Act, 1956;
- (ii) The Small Industries Development Corporation of a State or a Union territory, by whatever name called, being a company registered under the Companies Act, 1956;

- (iii) any company, cooperative society, society, trust or a body, by whatever name called, registered or constituted under any law for the time being in force and engaged in selling goods produced by micro or small enterprises and rendering services which are provided by such enterprises;
- (o) “Small Industries Bank” means the Small Industries Development Bank of India established under sub-section (1) of section 3 of the Small Industries Development Bank of India Act, 1989;
- (p) “State Government”, in relation to a Union territory, means the Administrator thereof appointed under article 239 of the Constitution

NATIONAL BOARD FOR MICRO, SMALL AND MEDIUM ENTERPRISES

3. (Establishment of Board)

- (1) With effect from such date as the Central Government may, by notification, appoint, there shall be established, for the purposes of this Act, a Board to be known as the National Board for Micro, Small and Medium Enterprises.
- (2) The head office of the Board shall be at Delhi
- (3) The Board shall consist of the following members, namely
 - (a) The Minister in charge of the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises who shall be the *ex officio* Chairperson of the Board;
 - (b) The Minister of State or a Deputy Minister, if any, in the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises who shall be *ex officio* Vice-Chairperson of the Board, and where there is no such Minister of State or Deputy Minister, such person as may be appointed by the Central Government to be the Vice-Chairperson of the Board;
 - (c) Ministers of the State Governments having administrative control of the departments of small scale industries or, as the case may be, micro, small and medium enterprises, to be appointed by the Central Government to represent such regions of the country as may be notified by the Central Government in this behalf, *ex officio* ;
 - (d) Three members of Parliament of whom two shall be elected by the House of the People and one by the Council of States;
 - (e) The Administrator of a Union territory to be appointed by the Central Government, *ex officio*;
 - (f) the Secretary to the Government of India in charge of the Ministry or Department of the Central Government having administrative control of the micro, small and medium enterprises, *ex officio* ;
 - (g) Four Secretaries to the Government of India, to represent the Ministries of the Central Government dealing with commerce and industry, finance, food processing industries, labour and planning to be appointed by the Central Government, *ex officio* ;

- (h) The Chairman of the Board of Directors of the National Bank, *ex officio*;
 - (i) *The chairman and managing director of the Board of Directors of the Small Industries Bank, ex officio*;
 - (j) The chairman, Indian Banks Association, *ex officio*;
 - (k) One officer of the Reserve Bank, not below the rank of an Executive Director, to be appointed by the Central Government to represent the Reserve Bank;
 - (l) Twenty persons to represent the associations of micro, small and medium enterprises, including not less than three persons representing associations of women's enterprises and not less than three persons representing associations of micro enterprises, to be appointed by the Central Government;
 - (m) Three persons of eminence, one each from the fields of economics, industry and science and technology, not less than one of whom shall be a woman, to be appointed by the Central Government;
 - (n) Two representatives of Central Trade Union Organisation, to be appointed by the Central Government; and
 - (o) one officer not below the rank of Joint Secretary to the Government of India in the Ministry or Department of the Central Government having administrative control of the small and medium enterprises to be appointed by the Central Government, who shall be the Member-Secretary of the Board, *ex officio*
- 4) The term of office of the members of the Board, other than *ex officio* members of the Board, the manner of filling vacancies, and the procedure to be followed in the discharge of their functions by the members of the Board, shall be such as may be prescribed; Provided that the term of office of an *ex officio* member of the Board, shall continue so long as he holds the office by virtue of which he is such a member. (Removal of member from Board)
 - 5) No act or proceedings of the Board shall be invalid merely by reason of- (Functions of Board.)
 - (a) Any vacancy in, or any defect in the constitution of, the Board; or
 - (b) Any defect in the appointment of a person acting as a member of the Board; or
 - (c) Any irregularity in the procedure of the Board not affecting the merits of the case.
 - 6) The Board shall meet at least once in every three months in a year. (Powers and functions of Member-Secretary of Board)
 - 7) The Board may associate with itself, in such manner and for such purposes as it may deem necessary, any person or persons whose assistance or advice it may desire in complying with any of the provisions of this Act and a person so associated shall have the right to take part in the discussions of the Board relevant to the purposes for which he has been associated but shall not have the right to vote.

- 8) Without prejudice to sub-section (7) the Chairperson of the Board shall, for not less than two of the meetings of the Board in a year, invite such Ministers of the State Governments having administrative control of the departments of small scale industries or, as the case may be, the micro, small and medium enterprises, or the Administrators of Union territories and representatives of such other associations of micro, small and medium enterprises, as he may deem necessary for carrying out the purposes of this Act.
- 9) It is hereby declared that the office of member of the Board shall not disqualify its holder for being chosen as, or for being, a member of either House of Parliament.
- 4.
- 1) The Central Government may remove a member of the Board from it, if he
- (a) is, or at any time has been, adjudged as insolvent; or
 - (b) is, or becomes, of unsound mind and stands so declared by a competent court; or
 - (c) Refuses to act or becomes incapable of acting as a member of the Board; or
 - (d) Has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or
 - (e) Has so abused, in the opinion of the Central Government, his position as a member of the Board as to render his continuance in the Board detrimental to the interests of the general public
- 2) Notwithstanding anything contained in sub-section (1), no member shall be removed from his office on the grounds specified in clauses (c) to (e) of that sub-section unless he has been given a reasonable opportunity of being heard in the matter.
5. The Board shall, subject to the general directions of the Central Government, perform all or any of the following functions, namely:-
- (a) Examine the factors affecting the promotion and development of micro, small and medium enterprises and review the policies and programmes of the Central Government in regard to facilitating the promotion and development and enhancing the competitiveness of such enterprises and the impact thereof on such enterprises;
 - (b) make recommendations on matters referred to in clause (a) or on any other matter referred to it by the Central Government which, in the opinion of that Government, is necessary or expedient for facilitating the promotion and development and enhancing the competitiveness of the micro, small and medium enterprises; and
 - (c) Advise the Central Government on the use of the Fund or Funds constituted under section 12.
6. Subject to other provisions of this Act, the Member-Secretary of the Board shall exercise such powers and perform such functions as may be prescribed.

CLASSIFICATION OF ENTERPRISES, ADVISORY COMMITTEE AND EMORANDUM OF MICRO, SMALL AND MEDIUM ENTERPRISES

7. (65 of 1951)

1) Notwithstanding anything contained in section 11B of the Industries (Development and Regulation) Act, 1951, the Central Government may, for the purposes of this Act, by notification and having regard to the provisions of sub-sections (4) and (5), classify any class or classes of enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership firm, company or undertaking, by whatever name called

- (a) In the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951, as
- (i) A micro enterprise, where the investment in plant and machinery does not exceed twenty five lakh rupees;
 - (ii) A small enterprise, where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; or
 - (iii) A medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;
- (b) In the case of the enterprises engaged in providing or rendering of services, as
- (i) A micro enterprise, where the investment in equipment does not exceed ten lakh rupees;
 - (ii) A small enterprise, where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or
 - (iii) A medium enterprise, where the investment in equipment is more than two crore rupees but does not exceed five crore rupees

Explanation 1: For the removal of doubt, it is hereby clarified that in calculating the investment in plant and machinery, the cost of pollution control, research and development, industrial safety devices and such other items as may be specified, by notification, shall be excluded.

Explanation 2: It is clarified that the provisions of section 29B of the Industries (Development and Regulation) Act, 1951, shall be applicable to the enterprises specified in sub-clauses (i) and (ii) of clause (a) of sub-section (1) of this section. (Advisory Committee)

- 2) The Central Government shall, by notification, constitute an Advisory Committee consisting of the following members, namely:-
 - (a) The Secretary to the Government of India in the Ministry or Department of the Central Government having administrative control of the small and medium enterprises who shall be the Chairperson, ex officio ;
 - (b) Not more than five officers of the Central Government possessing necessary expertise in matters relating to micro, small and medium enterprises, members, ex officio ;
 - (c) Not more than three representatives of the State Governments, members, ex officio; and
 - (d) One representative each of the associations of micro, small and medium enterprises, members, ex officio;
- 3) The Member- Secretary of the Board shall also be the ex officio Member-Secretary of the Advisory Committee.
- 4) The Central Government shall, prior to classifying any class or classes of enterprises under sub-section (1), obtain the recommendations of the Advisory Committee.
- 5) The Advisory Committee shall examine the matters referred to it by the Board in connection with any subject referred to in section 5 and furnish its recommendations of the Board.
- 6) The Central Government may seek the advice of the Advisory Committee on any of the matters specified in section 9, 10, 11, 12 or 14 of Chapter IV.
- 7) The State Government may seek advice of the Advisory Committee on any of the matters specified in the rules made under section 30.
- 8) The Advisory Committee shall, after considering the following matters, communicate its recommendations or advice to the Central Government or, as the case may be, State Government or the Board, namely:- (65 of 1951)
 - (a) The level of employment in a class or classes of enterprises;
 - (b) The level of investments in plant and machinery or equipment, in a class or classes of enterprises;
 - (c) The need of higher investment in plant and machinery or equipment for technological upgradation, employment generation and enhanced competitiveness of the class or classes of enterprises;
 - (d) The possibility of promoting and diffusing entrepreneurship in micro, small or medium enterprises;
 - (e) The international standards for classification of small and medium enterprises.

- 9) Notwithstanding anything contained in section 11B of the Industries (Development and Regulation) Act, 1951 and clause (h) of section 2 of the Khadi and Village Industries Commission Act, 1956, the Central Government may, while classifying any class or classes of enterprises under sub-section (1), vary, from time to time, the criterion of investment and also consider criteria or standards in respect of employment or turnover of the enterprises and include in such classification the micro or tiny enterprises or the village enterprises, as part of small enterprises. (Memorandum of micro, small and medium enterprises)

8. (65 of 1951)

- 1) Any person who intends to establish,
- a) a micro or small enterprise, may, at his discretion; or
- b) a medium enterprise engaged in providing or rendering of services may, at his discretion; or
- c) a medium enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, shall file the memorandum of micro, small or, as the case may be, of medium enterprise with such authority as may be specified by the State Government under sub-section (4) or the Central Government under sub-section (3):

Provided that any person who, before the commencement of this Act, established—

- (a) A small scale industry and obtained a registration certificate, may, at his discretion; and
- (b) An industry engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, having investment in plant and machinery or more than one crore rupees but not exceeding ten crore rupees and, in pursuance of the notification of the Government of India in the erstwhile Ministry of Industry (Department of Industrial Development) number S.O.477(E), dated the 25 TH July, 1991 file an Industrial Entrepreneurs' Memorandum, shall within one hundred and eighty days from the commencement of this Act, file the memorandum, in accordance with the provisions of this Act.
- 2) The form of the memorandum, the procedure of its filing and other matters incidental thereto shall be such as may be notified by the Central Government after obtaining the recommendations of the Advisory Committee in this behalf.
- 3) The authority with which the memorandum shall be filed by a medium enterprise shall be such as may be specified, by notification, by the Central Government

- 4) The State Government shall, by notification, specify the authority with which a micro or small enterprise may file the memorandum.
- 5) The authorities specified under sub-sections (3) and (4) shall follow, for the purposes of this section, the procedure notified by the Central Government under sub-section (2).

MEASURES FOR PROMOTION, DEVELOPMENT AND ENHANCEMENT OF COMPETITIVENESS OF MICRO, SMALL AND MEDIUM ENTERPRISES

9. The Central Government may, from time to time, for the purposes of facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises, particularly of the micro and small enterprises, by way of development of skill in the employees, management and entrepreneurs, provisioning for technological upgradation, providing marketing assistance or infrastructure facilities and cluster development of such enterprises with a view to strengthening backward and forward linkages, specify, by notification, such programmes, guidelines or instructions, as it may deem fit.
10. The policies and practices in respect of credit to the micro, small and medium enterprises shall be progressive and such as may be specified in the guidelines or instructions issued by the Reserve Bank, from time to time, to ensure timely and smooth flow of credit to such enterprises, minimise the incidence of sickness among and enhance the competitiveness of such enterprises. (Credit facilities)
11. For facilitating promotion and development of micro and small enterprises, the Central Government or the State Government may, by order notify from time to time, preference policies in respect of procurement of goods and services, produced and provided by micro and small enterprises, by its Ministries or departments, as the case may be, or its aided institutions and public sector enterprises. (Procurement preference policy)
12. There shall be constituted , by notification, one or more Funds to be called by such name as may be specified in the notification and there shall be credited thereto any grants made by the Central Government under section 13.(Funds)
13. The Central Government may, after due appropriation made by Parliament by law in this behalf, credit to the Fund or Funds by way of grants for the purposes of this Act, such sums of money as that Government may consider necessary to provide (Grants by Central Government.)
14. **(Administration and utilisation of Fund or Funds.)**
 - 1) The Central Government shall have the power to administer the Fund or Funds in such manner as may be prescribed.
 - 2) The Fund or Funds shall be utilised exclusively for the measures specified in sub-section (1) of section 9.

- 3) The Central Government shall be responsible for the coordination and ensuring timely utilisation and release of sums in accordance with such criteria as may be prescribed

DELAYED PAYMENTS TO MICRO AND SMALL ENTERPRISES

15. Where any supplier supplies any goods or renders any services to any buyer, the buyer shall make payment therefore on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, before the appointed day: Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed forty-five days from the day of acceptance or the day of deemed acceptance. (Liability of buyer to make payment)
16. Where any buyer fails to make payment of the amount to the supplier, as required under section 15, the buyer shall, notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force, be liable to pay compound interest with monthly rests to the supplier on that amount from the appointed day or, as the case may be, from the date immediately following the date agreed upon, at three times of the bank rate notified by the Reserve Bank.(Date from which and rate at which interest is payable)
17. For any goods supplied or services rendered by the supplier, the buyer shall be liable to pay the amount with interest thereon as provided under section 16. (Recovery of amount due)
18. (Reference to Micro and Small Enterprises Facilitation Council.)
 - 1) Notwithstanding anything contained in any other law for the time being in force, any party to a dispute may, with regard to any amount due under section 17, make a reference to the Micro and Small Enterprises Facilitation Council. **(26 of 1996)**
 - 2) On receipt of a reference under sub-section (1), the Council shall either itself conduct conciliation in the matter or seek the assistance of any institution or centre providing alternate dispute resolution services by making a reference to such an institution or centre, for conducting conciliation and the provisions of sections 65 to 81 of the Arbitration and Conciliation Act, 1996 shall apply to such a dispute as if the conciliation was initiated under Part III of that Act.
 - 3) Where the conciliation initiated under sub-section (2) is not successful and stands terminated without any settlement between the parties, the Council shall either itself take up the dispute for arbitration or refer it to any institution or centre providing alternate dispute resolution services for such arbitration and the provisions of the Arbitration and Conciliation Act, 1996, shall then apply to the dispute as if the arbitration was in pursuance of an arbitration agreement referred to in sub-section (1) of section 7 of that Act.

- 4) Notwithstanding anything contained in any other law for the time being in force, the Micro and Small Enterprises Facilitation Council or the centre providing alternate dispute resolution services shall have jurisdiction to act as an Arbitrator or Conciliator under this section in a dispute between the supplier located within its jurisdiction and a buyer located anywhere in India.
 - 5) Every reference made under this section shall be decided within a period of ninety days from the date of making such a reference.
19. No application for setting aside any decree, award or other order made either by the Council itself or by any institution or centre providing alternate dispute resolution services to which a reference is made by the Council, shall be entertained by any court unless the appellant (not being a supplier) has deposited with it seventy-five per cent of the amount in terms of the decree, award or, as the case may be, the other order in the manner directed by such court: Provided that pending disposal of the application to set aside the decree, award or order, the court shall order that such percentage of the amount deposited shall be paid to the supplier, as it considers reasonable under the circumstances of the case subject to such conditions as it deems necessary to impose. (Application for setting aside decree, award or order)
 20. The State Government shall, by notification, establish one or more Micro and Small Enterprises Facilitation Councils, at such places, exercising such jurisdiction and for such areas, as may be specified in the notification. (Establishment of Micro and Small Enterprises Facilitation Council)
 21. The Micro and Small Enterprise Facilitation Council shall consist of not less than three but not more than five members to be appointed from among the following categories, namely
 - (i) Director of Industries, by whatever name called, or any other officer not below the rank of such Director, in the Department of the State Government having administrative control of the small scale industries or, as the case may be, micro, small and medium enterprises; and
 - (ii) One or more office-bearers or representatives of associations of micro or small industry or enterprises in the State; and
 - (iii) One or more representatives of banks and financial institutions lending to micro or small enterprises; or
 - (iv) One or more persons having special knowledge in the field of industry, finance, law, trade or commerce
- 2) The person appointed under clause (i) of sub-section (1) shall be the chairperson of the Micro and Small Enterprise Facilitation Council.
 - 3) The composition of the Micro and Small Enterprise Facilitation Council, the manner of filling vacancies of its members and the procedure to be followed in the discharge of their functions by the members shall be such as may be prescribed by the State Government

22. Where any buyer is required to get his annual accounts audited under any law for the time being in force, such buyer shall furnish the following additional information in his annual statement of accounts, namely: (Requirement to specify unpaid amount with interest in the annual statement of accounts.)
- (i) The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year;
 - (ii) The amount of interest paid by the buyer in terms of section 18, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;
 - (iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;
 - (iv) The amount of interest accrued and remaining unpaid at the end of each accounting year; and
 - (v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23. **(43 of 1961)**
23. Notwithstanding anything contained in the Income-tax Act, 1961, the amount of interest payable or paid by any buyer, under or in accordance with the provisions of this Act, shall not, for the purposes of computation of income under the Income-tax Act, 1961, be allowed as deduction. (Interest not to be allowed as deduction from income)
24. The provisions of sections 15 to 23 shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force (Over-riding effect.) **(1 of 1996)**
25. Notwithstanding anything contained in any law for the time being in force, the Central Government may, with a view to facilitating closure of business by a micro, small or medium enterprise, not being a company registered under the Companies Act, 1956, notify a scheme within one year from the date of commencement of this Act (Scheme for closure of business of micro, small and medium enterprises).

MISCELLANEOUS

26. (Appointment of officers and other employees)

- 1) The Central Government or State Government may appoint such officers with such designations and such other employees as it thinks fit for the purposes of this Act and may entrust to them such of the powers and functions under this Act as it may deem fit.
- 2) The Officers appointed under sub-section (1) may, for the purposes of this Act, by order require any person to furnish such information, in such form, as may be prescribed.

27. (Penalties)

- 1) Whoever intentionally contravenes or attempts to contravene or abets the contravention of any of the provisions contained in sub-section (1) of section 8 or sub-section (2) of section 26 shall be punishable
 - a) In the case of the first conviction, with fine which may extend to rupees one thousand; and
 - b) In the case of any second or subsequent conviction, with fine which shall not be less than rupees one thousand but may extend to rupees ten thousand
- 2) Where a buyer contravenes the provisions of section 22, he shall be punishable with a fine which shall not be less than rupees ten thousand.

28. No court inferior to that of a Metropolitan Magistrate or a Magistrate of the first class shall try any offence punishable under this Act. (Jurisdiction of courts)

29. (Power to make rules)

- 1) The Central Government may, by notification, make rules to carry out the provisions of this Act.
- 2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:
 - a) The term of office of the members of the Board, the manner of filling vacancies, and the procedure to be followed in the discharge of functions by the members of the Board under sub-section (4) of section 3;
 - b) The powers and functions of the Member-Secretary under section 6
 - c) The manner in which the Fund may be administered under sub-section (1) of section 14;
 - d) The criteria based on which sums may be released under sub-section (3) of section 14;
 - e) The information to be furnished and the form in which it is to be furnished under sub-section (2) of section 26; and
 - f) Any other matter which is to be or may be prescribed under this Act.

- 3) Every notification issued under section 9 and every rule made by the Central Government under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the notification or rule or both Houses agree that the notification or rule should not be made, the notification or rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that notification or rule.

30. **(Power to make rules by State Government)**

- 1) The State Government may, by notification, make rules to carry out the provisions of this Act.
- 2) In particular, and without prejudice to the generality of the foregoing power, such rule may provide for all or any of the following matters, namely:
 - a) The composition of the Micro and Small Enterprise Facilitation Council, the manner of filling vacancies of the members and the procedure to be followed in the discharge of their functions by the members of the Micro and Small Enterprise Facilitation Council under sub-section (3) of section 21;
 - b) Any other matter which is to be or may be, prescribed under this Act.
- 3) The rule made under this section shall, as soon as may be after it is made, be laid before each House of the State Legislature where there are two Houses, and where there is one House of the State Legislature, before that House.

31. **(Power to remove difficulties)**

- 1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty: Provided that no order shall be made under this section after the expiry of two years from the commencement of this Act.
- 2) Every order made under this section shall, as soon as may be after it is made, be laid before each House of Parliament.

32. **(Repeal of Act 32 of 1993)**

- 1) The Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993 is hereby repealed.
- 2) Notwithstanding such repeal, anything done or any action taken under the Act so repealed under sub-section (1) shall be deemed to have been done or taken under the corresponding provisions of this Act.

Micro, Small & Medium Enterprises Development (MSMED) Bill, 2006

The Micro, Small & Medium Enterprises Development (**MSMED) Bill, 2006** was passed by the Lok Sabha on May 18, 2006 and by the Rajya Sabha on May 22, 2006. The President of India has also accorded his assent to the above legislation on June 16, 2006. Necessary Rule is under formulation and will be issued by the Ministry of SSI, Government of India shortly. Some of the salient features of the Act are as under:

Classification of enterprises broadly into (i) manufacture/production of goods and (ii) providing/rendering of services which are defined as:

(i) **Manufacturing enterprises** in terms of investment limit in plant and machinery (excluding land & building) which are further classified into

Micro enterprises: investment upto Rs. 25 lakh

Small enterprises: investment above Rs. 25 lakh & upto Rs. 5 crore

Medium enterprises: investment above Rs. 5 crore & upto Rs. 10 crore

(ii) **Services enterprises** in terms of investment in equipment (excluding land & building) which are further classified into

Micro enterprise: investment upto Rs. 10 lakh

Small enterprises: investment above Rs. 10 lakh & upto Rs. 2 crore

Medium enterprises: investment above Rs. 2 crore & upto Rs. 5 crore

- ✓ **Constitution of Apex Consultative body (National Board) with wide representation of stakeholders under the Chairmanship of the Union Minister for SSI.**
- ✓ **Procedure for filing of memoranda by Micro & Small Enterprises (MSES)**
- ✓ **Constitution of Advisory Committee under the Chairmanship of Secretary (SSI), Government of India**
- ✓ **Strengthening the provisions of Delayed Payment Act.**

INSTITUTIONAL SUPPORT FOR MSMEs IN INDIA

MINISTRY OF SMALL SCALE INDUSTRIES

Ministry of Small Scale Industries is the nodal Ministry for formulation of policy, promotion, development and protection of small scale industries in India.

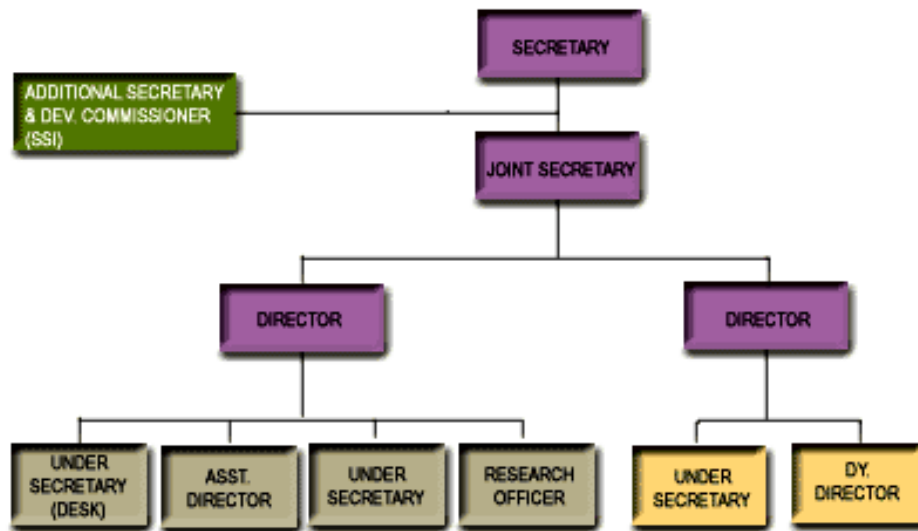
The process of liberalisation and market reforms has created wide-ranging opportunities of the development of small scale industries. At the same time, changing world scenario has thrown up new challenges to the very existence of the sector. The need of the hour is to suitably strengthen the sector so that it could adapt itself to the changed environment and face the challenges boldly and effectively. In order to focus on the issues facing the sector, the Ministry of Small Scale Industries & Agro and rural Industries was created on the 14th October 1999 for overseeing the formulation and implementation of the policies and programmes for the development of the small scale industries through support agencies and specialised services.

The Government of India has always accorded priority to the Village and Small Industries (VSI) Sector in its Industrial Policy Resolutions and in the strategy for the industrialisation in the country. With the deregulation of the Indian economy, a new package of policy measures for promoting and strengthening the VSI sector was announced by the Government on 6th August, 1991. These policy measures have given thrust to simplification of regulations and procedures, and procedures, and helped the SSI units improve their competitive strength.

The Ministry of Small Scale Industries designs and implements the policies through its field organisations for promotion and growth of small and tiny enterprises, including the coir industries. The Ministry also coordinates with other Ministers/Departments on behalf of the Small Scale Industries (SSI) sector.

The implementation of policies and various programmes/schemes for providing infrastructure and support services to small enterprises is undertaken through its attached office, namely the Small Industries Development Organisation (SIDO), statutory bodies/other organisations like Khadi and Village Industries Commission (KVIC) & Coir Board, a Public Sector Undertaking, National Small Industries Corporation (NSIC) and three training institutes- National Institute for Micro, Small and Medium Enterprises (ni-msme), Hyderabad, National Institute For Entrepreneurship & Small Business Development (NIESBUD), Noida and Indian Institute for Entrepreneurship (IIE), Guwahati.

ORGANISATIONAL CHART OF MINISTRY OF SMALL SCALE INDUSTRIES



SMALL INDUSTRY DEVELOPMENT ORGANISATION (SIDO)

Aims and objectives

"Imparting greater vitality and growth impetus to the small, tiny and village enterprises in terms of output, employment and exports and instilling a competitive culture based on heightened technology awareness."

The Small & Medium Enterprises (SME) sector is one of the fastest growing industrial sectors all over the world. Many countries of the world have established a SME Development Agency (SMEDA) as the nodal agency to coordinate and oversee all Government interventions in respect of the development of this sector. In the case of India, though a separate medium sector is not defined, the Office of Development Commissioner (Small Scale Industries) also known as Small Industries Development Organisation (SIDO) functions as the nodal Development Agency for small industries. SIDO functions under the Ministry of SSI (Ministry of Small Scale Industries).

SIDO was established in 1954 on the basis of the recommendations of the Ford Foundation. Over the years, it has seen its role evolve into an agency for advocacy, hand holding and facilitation for the small industries sector. It has over 60 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centres. SIDO provides a wide spectrum of services to the small industries sector. These include facilities for testing, tool mentoring, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc. SIDO provides economic information services and advises Government in policy formulation for the promotion and development of SSIs. The field offices also work as effective links between the Central and the State Governments.

Consequent to the increased globalization of the Indian economy, small industries are required to face new challenges. SIDO has recognised the changed environment and is currently focusing on providing support in the fields of credit, marketing, technology and infrastructure to SSIs. Global trends and national developments have accentuated SIDO's role as a catalyst of growth of small enterprises in the country.

Development Commissioner (Small Scale Industries)

The office of the Development Commissioner (SSI) functioning within the Ministry of Small Scale Industries is located at the following address:

Development Commissioner (Small Scale Industries)
A-Wing, 7th Floor, Nirman Bhavan, New Delhi 110011

Phone: 91-11-23022220, 23022221, 23022211, 23022209, 23022202
Fax: 91-11-23018315, 23016726, 23016068

Email:dcssi@laghu-udyog.com
URL:www.laghu-udyog.com

Services:

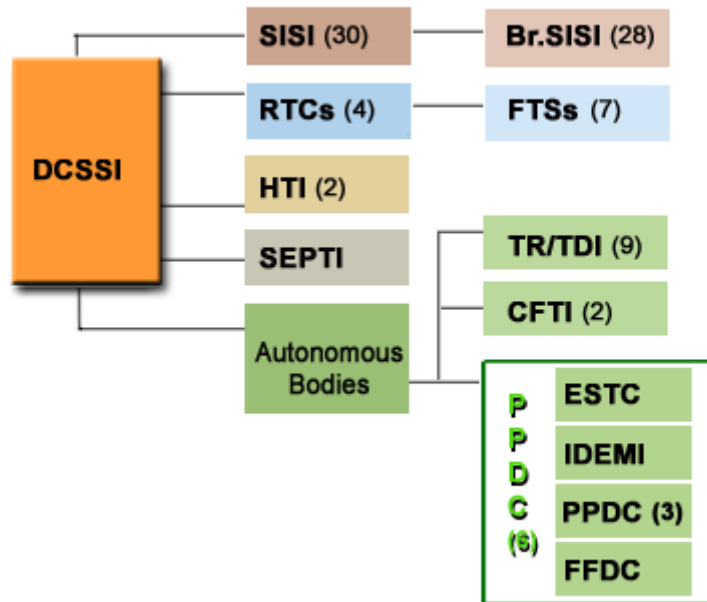
The main services rendered by DC SSI office are:

1. Advising the Government in policy formulation for the promotion and development of small scale industries.
2. Providing techno-economic and managerial consultancy, common facilities and extension services to small scale units.
3. Providing facilities for technology upgradation, modernisation, quality improvement and infrastructure.
4. Developing Human Resources through training and skill upgradation.
5. Providing economic information services.
6. Maintaining a close liaison with the Central Ministries, Planning Commission, State Governments, Financial Institutions and other Organisations concerned with development of Small Scale Industries.
7. Evolving and coordinating Policies and Programmes for development of Small Scale Industries as ancillaries to large and medium scale industries.
8. Monitoring of PMRY Scheme.

SIDO Network

A vast network of field organisations and institutes across the country operate according to the aims, objectives and guidelines laid down by SIDO.

Organisation Chart



Organisational Structure

The Ministry of Small Scale Industries (M/o SSI) is the administrative Ministry in the Government of India for all matters relating to small scale and village industries. It designs and implements policies and programmes through its field organisations and attached offices for promotion and growth of small industries.

The Office of the Development Commissioner (Small Scale Industries) is an attached office of the Ministry of SSI, and is the apex body to advise, coordinate and formulate policies and programmes for the development and promotion of the Small Scale Sector. The office also maintains liaison with Central Ministries and other Central/State Government agencies/organisations financial institutions.

Institutional Network

The Development Commissioner (SSI) heads the Small Industry Development Organization (SIDO), which has a network of 30 Small Industries Service Institutes (SISIs), 28 Branch Small Industries Service Institutes (Br. SISIs), 4 Regional Testing Centres (RTCs), 7 Field Testing Stations (FTSs), 19 Autonomous bodies which include 10 Tool Rooms (TRs) and Tool Design Institutes (TDI), 4 Product-cum-Process Development Centres (PPDCs) 2 Central Footwear Training Institutes (CFTIs), 1 Electronics Service & Training Centre (ESTC), 1 Institute for Design of Electrical Measuring Instruments (IDEMI) 2 National Level Training Institutes, and 1 Departmental Training Institute and one Production Center.

Regional Testing Center (RTC)

- Provide Testing facilities for quality upgradation
- Training/constancy in testing, quality control, quality management
- Process quality control systems, etc.
- Product specific testing facilities are provided by Field Testing Stations (FTSs)

AUTONOMOUS BODIES UNDER SIDO

Autonomous Bodies are set up whenever it is felt that certain functions need to be discharged outside the governmental set up with some amount of independence and flexibility without day-to-day interference of the Governmental machinery. These are set up by the Ministries/Departments concerned with the subject matter and are funded through grants-in-aid, either fully or partially, depending on the extent which such institutes generate internal resources of their own. These grants are regulated by the Ministry of Finance through their instructions as well as the instructions relating to powers for creation of posts and etc. They are mostly registered as societies under the Societies Registration Act and in certain cases they have been set up as statutory institutions under the provisions contained in various Acts. The Annual Reports and Audited Statements of Accounts of Autonomous Bodies/statutory institutions are required to be laid before Parliament.

A total of 21 Autonomous Bodies fall within the purview of SIDO. A complete list may be seen below.

List of Autonomous Bodies under SIDO

- Institute for Design of Electrical Measuring Instruments (IDEMI) MUMBAI- 400 022.
- Process and Product Development Centre, AGRA - 282 006 (U.P.)
- Process-cum-product Development Centre (Sports Goods & Leisure Time Equipments) MEERUT - 250 002. (U.P.)
- Electronics Service & Training Centre (ESTC) RAMNAGAR–244715 (Uttaranchal)
- Fragrance & Flavour Development Centre, (FFDC), P.O. Makrand Nagar, Kannauj, Farrukhabad -209726 (U.P.)
- Centre for the Development of Glass Industry (CGDI), P.O. Muiddinpur FEROSABAD - 283 003 (U.P.)
- National Institute for Micro, Small and Medium Enterprises (**ni-msme**), HYDERABAD - 500045 (A.P.)
- National Institute for Entrepreneurship, NEW DELHI - 110 020.
- Central Footwear Training Institute, AGRA - 282 007.(U.P.)
- Central Footwear Training Institute, CHENNAI - 600 032.
- Central Tool Room & Training Centre, KOLKATA - 700 108 (WEST BENGAL)
- Central Tool Room, LUDHIANA - 141 010 (Punjab)
- Central Institute of Tool Design, HYDERABAD - 500 037 (A.P.)
- Central Institute of Hand Tools, JALANDHAR - 144 008 (Punjab)
- Indo-German Tool Room, INDORE - 452 003 (M.P.)
- Indo-German Tool Room, AHMEDABAD - 382 445 (Gujarat)
- Indo-German Tool Room, -AURANGABAD - 431 210. (Maharashtra)

- Central Tool Room & Training Centre P.O.Bhatia, BHUBANESHWAR-751 031 (Orissa)
- Indo-Danish Tool Room JAMSHEDPUR - 832 108 (Jharkhand)
- Tool Room and Training Centre, GUWAHATI 781 021.
- Indian Institute of Entrepreneurship, GUWAHATI

In respect of some of the Autonomous Bodies under SIDO, independent evaluation studies have been carried out by agencies such as UNIDO and the National Productivity Council. It is also proposed that budgetary support of all Autonomous Bodies under SIDO be reduced gradually so as to make these institutions self-sufficient within a period of 3 to 5 years. Already some of the Autonomous Bodies have achieved self-sufficiency of over 80% in respect of income generated vis-a-vis expenditure incurred.

Tool Rooms/Tool Design Institutes (TRs/TDIs)

- To assist SSIs in technical upgradation, provide good quality tooling by designing and producing tools, moulds, jigs & fixtures, components, etc.
- Provide Training and consultancy for tool and die makers.

Product-cum-Process Development Centres (PPDCs)

These are product specific Centres to:

- look into their specific problems and render technical service
- develop and upgrade technologies
- manpower development and training

Central Footwear Training Institutes (CFTIs)

- Develop footwear designing to promote exports
- Training for manpower in Footwear Industry.

Sub-Contract Exchanges for Ancillary Development (SCXs)

There are 61 Sub-Contracting Exchanges (34 attached to SISIs and Branch SISIs and 27 by Industrial Associations) to provide marketing support and serve as a forum to:

- Register and create database of the spare manufacturing/service capacity of SSI
- Create database of requirements of large/medium units and match the requirements with the spare capacity available with small units
- Arrange Buyer-Seller Meets, organise vendor exhibitions, seminar, workshops for large-small units coordination, quality up gradation, export promotion, etc and facilitate flow of data on vendor development

Other Associated Agencies

- National Small Industries Corporation (NSIC) for technology and marketing support
- Small Industries Development Bank of India (SIDBI) an apex bank set up to provide direct/indirect financial assistance under different schemes to meet credit needs of the small-scale sector and to coordinate the functions of other institutions in similar activities.
- Khadi and Village Industries Commission (KVIC) assists the development and promotion and disbursal of rural and traditional industries in rural and town areas.

State Level Institutional Support

- State Government executes different promotional and developmental projects/schemes and provides a number of supporting incentives for development and promotion of small scale sector in their respective States.
- These are executed through State Directorate of Industries, who has District Industries Centres (DICs) under them to implement Central/State Level schemes.
- The State Industrial Development & Financial Institutions and State Financial Corporations also look after the needs of the small-scale sector

NATIONAL SMALL INDUSTRIES CORPORATION Ltd (NSIC)

The National Small Industries Corporation Ltd. was established in 1955 by the Government of India with a view to promote, aid and foster the growth of small industries in the country. NSIC continues to remain at the forefront of industrial development throughout the country with its various programmes and projects to assist the small-scale sector in the country. Recent transitions of industrial climate and liberalisation of the total economic environment within the country and international arena has witnessed the tremendous changes in the domestic as well as international markets. These sudden changes have thrown up as many opportunities as challenges to the small-scale enterprises in the country.

The NSIC is directly operating different programmes by professionals through 8 regional offices, 5 Technical Service Centres, 2 foreign offices, 2 Software Technology Parks, 17 branch offices located in almost all the States and 3 Technical Services Extension Centres.

MAJOR SCHEMES

Composite Term Loan Scheme

To promote small-scale sector, NSIC has launched a Composite Term Loan Scheme for the benefit of existing and prospective entrepreneurs to acquire land and building, machinery and equipment and working capital under one roof to the tiny units.

Machinery and Equipment

Hire Purchase Scheme

- Supply of indigenous and imported machinery and equipment on easy financial terms.
- Mainly targeted on first generation entrepreneurs.
- Special focus on women entrepreneurs, weaker sections, handicapped and ex-servicemen and SC/ST entrepreneurs.
- Creating a sound and formidable and entrepreneurship base.
- Faster growth and employment.

Equipment leasing

- Mainly to facilitate SMEs to expand their capacities or diversify and/or upgrade their technology according to the needs of the market which has become buyer's market because of openings of economies.
- 100% finance.
- Single window for indigenous/imported machinery.
- Tax rebate on full-year rental.
- Increases in productivity.

Working Capital Finance

This Scheme aims at augmenting working capital of viable and well managed units, on selective basis in case of emergent requirements to enable them to pay-off their purchase of consumable stores, spares and production related overheads particularly electricity bills, statutory dues.

The procedure involves:

- Submission of application forms
- Preliminary appraisal and unit inspection by NSIC
- Sanction
- Signing of Agreement
- Availing of facility by SSI

Raw Material Assistance

- Small units need not block the funds in storing raw materials in bulk
- Facilitates availability of raw materials on "*off the shelf basis*"
- Facilitates import of scarce materials
- MOUs with NALCO, MALCO, facilitates SSIs to get scarce materials on priority
- Raw materials Depots/Godowns in different parts of the country

Marketing Support Programme

Marketing, though, is essentially an entrepreneurial function, yet in today's economic liberalisation period institutional support is needed to the SMEs in this area as they are now facing challenges in marketing their goods and services because of intense competition from the transnational and the multinational companies who have started operations and some more are likely to operate in India in the near future. NSIC, therefore, has been acting as a facilitator to promote SMEs, to bear the onslaughts of such an open economy. NSIC has, over a period, devised a number of innovative programmes for the support of SMEs in the field of marketing, both in and outside the country. In the post-independence period, Government and its agencies, have been the largest buyers of various types of products and services and NSIC has been trying to act as a nodal agency to bring SMEs closer to various Governmental purchasing agencies, with the intention of creating confidence in the purchasing agencies about SMEs, and their capabilities to supply goods and services of requisite quality, economic prices and adherence to agreed delivery schedules.

Tender Marketing

Participation by NSIC in bulk local/global tender on behalf of Small Scale Industries/Enterprises

It is aimed at assisting SSIs with the ability to manufacture quality products but which lack brand equity & credibility or have limited financial capabilities.

Small Scale Industries/Enterprises should be registered with Directorate of Industries/District Industries Centre to gain eligibility. The benefits to these units are:

- SSIs provided with all requisite financial support depending upon the units individual requirements like purchase of raw material and financing of sale bills
- Enhanced business volume helps SSIs achieve maximum capacity utilisation.
- SSIs are exempted from depositing earnest money
- SSIs helped to participate in large & global tender upto its capacity and capability
- SSIs assisted technically for equality upgradation and new product development in addition to testing facility
- Ensures fair margin to SSIs for their production.
- Publicity to small industries products.
- Production of quality products from the SSI sector.

Integrated Marketing Support

NSIC has been operating an Integrated Marketing Support Programme in which bills pertaining to supplies made by small scale units to eligible purchasers are discounted by NSIC upto a certain specified limit. The scheme has been introduced with a view to mitigate the problem of delayed payment by buyers against supplies made by small scale units.

Government Stores Purchase Programme

This Programme was initiated in 1955-56 with a view to assist the small scale industries in obtaining a fair share of the total purchases made by the Government and its departments including the public sector undertakings and State Governments. The main objective of this programme is that SSI units will in the process be oriented to produce goods in conformity with the standards laid down by the buying agencies.

One of the important elements of the Government Stores Purchase Programme is the registration of units by NSIC as eligible to execute Government orders. The scheme has been in operation since 1956, which was modified in 1976 and came to be known as the "Single Point Registration Scheme" with a view to do away with the multiplicity of registration with individual purchase organisations. The units registered with the Corporation for participation in government purchase programme are considered at or with individual purchase organisations and derive all the benefits like free supply of tender forms, exemption from payment of earnest money, security deposits, etc.

Technology Upgradation

Excellent technical support to SSIs/SMEs through five NSIC-Technical Service Centres, a number of NSIC Technical Services Extension Centres and a number of sub-centres.

These training centres provide the following services:

- Technically trained manpower in traditional and advanced trades
- Assistance in development of commercially viable prototypes
- Testing facilities
- New technologies and modification of existing prototypes to take care of emerging trends in manufacturing technology
- New machines and equipment for leather working and agricultural appliances
- These centres have been recognised by Council of Scientific and Industrial Research for in-house R&D

Technology Transfer Centres

With a view to provide a proper guidance to small scale units to access current information in connection with the technology upgradation and for dissemination amongst the other small and large-scale enterprises spread all over India and abroad, NSIC has set up a Technology Transfer Centre. The latest information is provided to on-line connections and networks of computers on matching technology seekers and technology providers are arranged through the Technology Transfer Centre.

Software Technology Parks

NSIC has set up a NSIC-STP Complex under Software Technology Parks of India (STPI). Software Technology Parks facilitates small scale units to establish their units for the 100% export of software and also act as the nodal point to activate software exports directly through NSIC.

NSIC-STP Complex at Okhla, New Delhi is one of such Parks set up by the National Small Industries Corporation under the Software Technology Parks of India to promote small entrepreneurs in software development. NSIC-STP provides high speed better communication facilities through VSNL/SATCOM networks, built-up office space, uninterrupted power supply, back-up power through DG sets, a modern business centre and other administrative support.

Exports

NSIC is providing a complete package of export assistance, testing facilities, pre-shipment credit facility, export incentives etc. apart from exposure to the products of SSEs in trade fairs, buyer and seller meets etc. In addition to this, NSIC also helps the units in procurement of samples, development of counter samples and in negotiations for first business deals with foreign buyers.

Special Export Programme-UN Supplies

The Corporation has been endeavoring to increase share of Indian industries in purchases to United Nations Organization, it being the largest single buyer in the world. NSIC has already prepared a roster of potential suppliers of goods and services from India, which enabled it to emerge on top as supplier among the developing countries. NSIC organizes a number of seminars and workshops in association with different UN-Stores Purchasing Agencies to disseminate information to SME's on UN-Stores Purchase Procedures and Mechanism

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

The SIDBI was established on April 02, 1990 by Government of India, as a wholly owned subsidiary of IDBI. It was delinked from IDBI w.e.f. March 27, 2000. SIDBI is headed by the Chairman & Managing Director. The SIDBI is operating different programmes and schemes through 5 Regional Offices and 33 Branch Offices.

New Initiatives for SSI sector

Schemes for Mitigating the Problems of the SSI sector

Sl. No.	Problem	Schemes operated by SIDBI
1.	Delayed Payment of Bills	Direct Discounting of Bills (Components) Scheme
		<ul style="list-style-type: none"> • Direct Discounting of Bills (Equipment) Scheme • Direct Factoring Services • Bills Rediscounting Scheme (Equipment) • Bills Rediscounting Scheme Against Inand Supply Bills of SSI • Invoice Discounting Scheme
2.	Obsolescence of Technology	Technology Development and Modernisation Fund (TDMF) Scheme (both direct and indirect assistance)
		ISO 9000 Scheme (both direct and indirect assistance)
		Technology Upgradation Fund Scheme for Textile Industry (both direct and indirect assistance)
		Tannery Modernisation Fund Scheme (both direct and indirect assistance)
3.	Working Capital Availability	Single Window Scheme Through Primary Composite Loan Scheme Lending Instts
		Working Capital Term Loan Direct Assistance
		Short Term Loan
4.	Marketing Inadequacies	Scheme for Financing Activities Relating to Marketing of SSI products
5.	Lack of Suitable Infrastructure	Scheme of Direct Assistance for Development of Industrial Infrastructure for SSI Sector
		Scheme of Integrated Infrastructural Development (IID)

6.	Insufficient Export Credit	Export Credit <ul style="list-style-type: none"> • Pre-Shipment Credit in Foreign Currency • Scheme for Export Bills Financing • Rupee Pre-Shipment/Post-Shipment Credit • Foreign Letters of Credit
7.	Venture Capital Availability	Venture Capital Scheme
8.	Human Resources Development	<ul style="list-style-type: none"> • Entrepreneurship Development Programmes • Small Industries Management Programme • Skill-cum-Technology Upgradation Programme

New Initiatives of SIDBI

Two Subsidiaries viz. SIDBI Venture Capital Limited and SIDBI Trustee Company Limited formed to oversee **Venture Capital**.

Technology Bureau for Small Enterprise formed to oversee Technology Transfer, Match making Services, Finance Syndication and facilitating Joint Ventures.

- Marketing Finance & Development Department to set up Marketing Development Assistance Fund
- International Finance Department
- International Co-operation Division
- Foundation for Micro Credit

FRAGRANCE & FLAVOUR DEVELOPMENT CENTRE, KANNAUJ

Introduction:

Fragrance and Flavour Development Centre (FFDC) was set up at Kannauj in 1991 by Govt. of India in collaboration with UNDP/UNIDO and Govt. of U.P. for technological upgradation of essential oils, aroma chemicals, fragrance & flavour industry in the country, especially in the small scale sector. The center is being managed by a registered Society under the Societies Registration Act, 1861. Additional Secretary & Development Commissioner (SSI) in the Ministry of SSI is the President of the Society as well as Chairman of the Governing Council. The other members of the Governing Council includes members from Central Govt., State Govt. of U.P., industry representatives from various regions of the country, industry associations, leading R&D institutions and UNDP/UNIDO.

Aims & Objectives:

Fragrance & Flavour Development Centre aims to serve as an interface between essential oils, aroma chemicals, fragrance & flavour industry and R&D institutes both in the field of Agro and Chemical Technology. The main objectives of the center is to serve, sustain and upgrade the technological status of farmers and industry engaged in the cultivation processing aromatic plants and other naturally occurring herbs & spices. For fulfillment of the objectives, the following activity modules are in operation at the Centre.

- Agro-Technology & Extension Services
- Process Technology
- Fragrance & Flavour Development and its Applications
- Quality Assessment and Standardization
- Information, Documentation, Packaging and Marketing

Facilities

- i. Testing and quality control services
- ii. Processing of essential oils for value addition
- iii. Development and standardization of processes for extraction
- iv. Value addition & manufacture of essential oils and aroma chemicals
- v. Creation of fragrance & flavours for specific applications of consumers
- vi. Extension services for cultivation, propagation of aromatic plants and training of entrepreneurs, farmers and industrial units/enterprises, particularly in small scale sector

Vision

In order to broaden the activities of the center and extend the facilities & services to the other parts of the country, a cluster approach from UPTECH funds of SIDO has been taken up by the Ministry for the development of aromatic & medicinal plants and Neem based products under Mission for Millennium-2000 programme nominating FFDC as an implementing agency. The locations of these clusters are Neem products at Jhalawar (Raj.), Mint at Badaun (U.P.), Vetiver at Dhaulpur (Raj.), Kewra at Berhampur (Orissa) and Geranium at Bhowali (Uttanchal).

List of Web Links on Small Scale Industry

Web is an ever-increasing source of information search. Yet It is often difficult to search for the information on a specific subject, as one gets lost in the World Wide Web.

We have compiled the following links related to Small Scale Industry in India and few overseas, which might be useful to all looking for information on SME sector.

Watch out for the updates in this section, to the growing list of SME in India and abroad!

Incase, you know of any web link on the subject, which you would like to include here please drop us a line. (Mail to:weblinks@laghu-udyog.com)

Ministry & SIDO Network

Ministry of SSI & ARI	www.ssi.nic.in
KVIC	http://www.kvic.org.in
TBSE	www.techsmall.com
NISIET; Hyderabad	www.nisiet.org
RTC Chennai	http://busines.vsnl.com/rtcchennai
SISI, Bangalore	www.sisikarnataka.org
SISI, Chennai	www.sisi-chennai.com
SISI, Hyderabad	www.sisi-ap.com
SISI, Kolkata	www.sisikolkata.com
SISI, Patna	www.sisipatna.org
SISI, Jaipur	www.sisijaipur.gov.in
SISI, Gangtok	www.sikkim.nic.in/sisi
SISI, Guwahati	www.sisiguahati.com
SISI, Mumbai	www.sisimumbai.com
SISI, New Delhi	www.sisinewdelhi.com
SISI, Karnal	www.sisiharyana.com

Other Govt. Sites

DGFT	http://dgft.delhi.nic.in
DGS&D	http://dgsnd.nic.in
NIC	http://www.nic.in

Partners

SIDBI	www.sidbi.com
NSIC	http://www.nsicindia.com
C G Trust	www.creditguarantee.org.in
World Intellectual Property Organization	www.wipo.int/www.OMPI.int
CIFT-Agra	www.cfti.agra.com
CITD-Hyderabad	www.citdindia.com
CTTC-Bubhaneshwar	www.cttcbsr.com

CTTC-Kolkata	www.indodanish.com
IDTR-Jamshedpur	www.indodanish.com
IDTR-Bhubaneswar	www.indodanish.com
IDTR-Kolkatta	www.indodanish.com
IDEMI	www.idemi.org
ESTC-Ramnagar	www.estcindia.com

Vertical Information Providers

Anti Dumping	www.antidumpingindia.com
SME Finance	www.tanstiafnf.com
SME Marketing	www.smelink.com

Research Institutes

National Information System for Science & Technology (NISSAT)	www.nissat.org
The Council of Scientific & Industrial Research (CSIR)	www.csir.res.in
Central Building Research Institute (CBRI)	www.cbri.org
Central Drug Research Institute (CDRI)	www.cdriindia.org
Central Electro Chemical Research Institute (CECRI)	www.cecni-india.com
Central Electronics Engineering Research Institute (CEERI)	www.ceeri.ernet.in
Central food Technological Research Institute (CFTRI)	www.cftri.org
Central food Research Institute (CFRI)	www.cfriindia.com
Central Institute of Medicinal & Aromatic Plants (CIMAP)	www.cimap.org
Central Mechanical Engineering Research Institute (CMERI)	www.cmeri.com
Centre for Biochemical Technology (CBT)	www.cbt.res.in
Centre for Cellular & Molecular Biology (CCMB)	www.ccmbindia.org
CSIR Centre for Mathematical Modelling and Computer Simulation (CMMACS)	www.cmmacs.ernet.in
Indian Institute of Chemical Biology (IICB)	www.csir/iicb.html
Indian Institute of Petroleum (IIP)	www.iip.res.in
Indian Institute of Packaging	www.iip-in.com
Indian Toxicology Research Centre (ITRC)	www.itrcindia.org
Institute of Himalayan Bio Resource Technology (IHBT)	www.csir.res.in/ihbt/
Institute of Microbial Technology (IMTECH)	www.imtech.cernet.in
National Chemical Laboratory (NCL)	www.ncl-india.org
National Aerospace Laboratories (NAL)	www.cmmacs.ernet.in/nal/
National Botanical Research Institute (NBRI)	www.nbri.org

National Environmental Engineering
Research Institute (NEERI) <http://w3neeri.csir.res.in>
National Geophysical Research Institute (NGRI) www.ngri.org
National Institute of Oceanography (NIO) www.nio.org
National Institute of Science
Communication (NISCOM) www.niscom.nic.in
Indian Institute of Chemical Technology (IICT) www.iictindia.org
Development Commissioner (Handicrafts) www.indianhandicrafts.org.in

ENTREPRENEUR MOTIVATION TRAINING

- ❖ **Micro lab**
- ❖ **Thematic Apperception Test (TAT)**
- ❖ **Ring-Toss**
- ❖ **Achievement Planning**
- ❖ **Tower-Building**

MICRO LAB

A micro lab is a process-oriented package of experience, which is used to prepare the participants to learn psychologically. It helps them to motivate, get involved in the programme, make them aware of the importance of learning through experience and open their vision for the programme in totality. Laboratory training has been found to be useful as it provides a preamble to such programmes in terms of mechanics of the participant's involvement and the philosophy of experiential learning as compared to learning through other training methods.

Objectives

- (a) To help participants familiarize themselves with each other;
- (b) To build up and break the participant's expectations for the programme; and
- (c) To highlight an integrated process-oriented training with different modules of the programme.

Group Size: Unlimited

Time Required

It depends on the objectives of the micro lab. However, one hour to one-and-a-half hours may serve the purpose for an entrepreneur's training programme.

Physical Setting

It requires enough unstructured space for the participants to move around freely.

A Sample Micro lab for Potential Entrepreneurs

1. Walk around
2. Form into pairs with a person whom you have not met till now. Tell each other something about yourself (2)
3. Walk around
4. Form into new pairs with someone you have not met. Share with each other something about yourself, which makes you, think that you can be an entrepreneur.
5. Walk around
6. Form into new pairs, share with each other two reasons why; you are here.
7. Walk around
8. Form into new pairs. Talk to each other about your hobbies. (2)
9. Walk around
10. Form into triads, Share with each other two things you like the most and two things you dislike the most. (2)
11. Walk as fast as you can
12. Form into new pairs. Share with each other three things you consider to be your strengths and two things you consider to be your weaknesses.
13. Move around
14. Form into Triads. Share with each other one significant experience you can recollect from your childhood (4)
15. Walk slowly; when you walk, greet each other non-verbally.
16. Form into triads. Think of an entrepreneur you came across whom you consider as very effective. Share with each other his qualities and what impressed you about him. (5)
17. Think of an entrepreneur whom you do not consider to be successful. Share with each other what has made him unsuccessful. (5)
18. Walk around
19. Form into pairs. Tell your partner two things, which you like in him, and two things in which you think he can improve. (2)
20. Walk around
21. Form into triads. Share with each other something you consider to be significant in your family. (3)
22. Walk around
23. Form into new pairs; share with each other two of your dreams or two of your goals in life. (3)
24. Walk around
25. Form into new triads. Think of an experience where you did something wonderful or an experience when you felt 'greater'. Share with others the details of this experience. (5)
26. Walk around
27. Form into new triads. Tell a story what you learnt from your parents or in the school, which had impressed you. Share with others the story and why it had impressed you. (5)
28. Form into groups of four. Discuss the general problems of entrepreneurs and make a list of the problems. One of you may present it to the total group. (5)
29. Presentation by groups on problems. (5)

30. Walk around. Close your eyes while you walk. (1)
31. Stop and open your eyes. Pair with the person closest to you. Share with each other your experience of any one occasion when you faced a problem and could solve it successfully. (3)
32. Re-arrange into groups of four. Discuss the characteristics of entrepreneurs. One of you may present them after five minutes to the total group. (4)
33. Presentation by groups on characteristics. (4)
34. Walk around
35. Form into pairs. Tell your partner the qualities you would like to develop in your self to become an entrepreneur. Share with each other how you feel being here and participating in this exercise. (3)
36. Form into groups of four. Each of you will give a new project idea to the group. When you are doing this, the others will ask you one question each on the idea. (1)

(Figures in brackets indicate the duration, in minutes, for the activity).

Some lead questions for processing Micro lab

After the activities are completed, the facilitator may help the participants to find some meaning in them. For this, he needs to generate data and put it in such a way that the participants develop a link between what has happened and how useful it is for further learning. The following questions may help the facilitator to process the data generated during the micro lab:

- (a) How do you feel now?
- (b) How deeply were you involved in activities?
- (c) Why did you do it?
- (d) Do you consider these activities meaningful to you?
- (e) What did you get out of it?
- (f) Do you think that this session is useful for the programme?

THEMATIC APPERCEPTION TEST (TAT)

This is the test for ascertaining the level and intensity of achievement motivation through the imaginative writing produced by the participants against a set of pictures.

Objective

- i) To determine the existence and level of achievement motivation among participants;
- ii) To help them to internalize the associative network or elements of achievement motivation;
- iii) To emphasis the formation and use of achievement language in day-to-day thinking and action.

Time Required: Both post-testing require thirty minutes each. The total number of sessions required for analysis and discussion depends upon the movement of the group in terms of stated objectives. Sessions may be taken in continuation or distributed over two to three days.

Material Required: Slides, transparencies, pictures, instruction sheets or TAT coring sheets.

Setting: This would require a seating arrangement with a table or desk to enable writing.

Process

- i) The facilitator emphasizes the importance of the task by encouraging the participants to be as imaginative as possible and look forward through the third eye that is beyond what they are going to see.
- ii) An instruction sheet is distributed to the participants and the facilitator asks them to go through the instructions with undivided attention. The facilitator may even read out from the instruction sheet and provide sufficient time to the participants to check and re-check certain points, which they would like to be clarified. The facilitator at this point may not add anything beyond what is given in the instruction sheet.

Instructions

1. Before starting the exercise, the facilitator instructs the participants as follows:

“For twenty seconds, you will see a picture on the screen. Then you will be given five minutes to write a story about what you have seen. While writing, you may consider the following questions to build up the story:

- ✓ What is happening? Who are the people?
- ✓ What has happened in the past that led up to this situation?
- ✓ What is being thought? What is wanted? By whom?
- ✓ What will happen? What will be done?

“You should try to make the stories interesting and dramatic and relate them to a human situation instead merely describing the picture”.

“Do you have any Questions?”

(Detailed Instruction sheet given in Appendix-1)

2. After the story writing by the participants is over, the facilitator may create an atmosphere where the ‘hold-up’ thinking and feeling may surface in the group. This can be done by putting some lead questions like:
 - ✓ What do you feel now?
 - ✓ How much involved were you?
 - ✓ What do you find in this exercise?
 - ✓ Would you like to work on it?

This creates further interest amongst the participants, to involve themselves in the scoring and analysis of data.

3. The facilitator then reveals the purpose of the exercise that is to know the achievement thinking or achievement motivation present in the participants. Also, the significance of using pictures to assess the need for achievement is highlighted.

4. How can we tell whether one has the need for achievement in his thinking?

5. We have standardized the scoring process based on which it has to be found out whether our stories fulfill any of the following criteria:

- i) Desire for success in competition with others.
- ii) Desire for success in competition with a self-imposed standard of excellence.
- iii) Unique accomplishment.
- iv) Long-term involvement (details given in Appendix-11)

If the stories fulfill any of the stated criteria, it would be scored as A1 (achievement imagery) and indicates, therefore, the presence of achievement motivation. Whenever there is any doubt whether or not one of the criteria for achievement imagery has been met, and yet the story is not totally unrelated to achievement, it is classified as TI (task imagery). Stories in which there is no reference to any achievement goal are scored as UI (unrelated imagery).

The concept of scoring AI, UI and TI is given with examples and the participants’ doubts are clarified before they go in for the subsequent steps.

6. The participants are given a set of sample stories (see Appendix) and are asked to score for AI, UI and TI.

7. A discussion is generated about the scored stories and the facilitator clarifies the doubts of the participants. An impression is also given to the participants that they are progressing well within the time frame.

8. Another set of practice stories may be given to the participants and they may be asked to score for AI, UI and TI quickly.
9. The facilitator may disclose the expert scoring of the second set of practice stories and ask them to find out the points of difference, if any. By now it is expected that the participants will feel secure and confident to a great extent in scoring AI, UI and TI.
10. They may be asked to score their own stories in terms of AI, UI and TI.
11. The facilitator may ask them to form a group of three or four and interchange their scored stories and discuss the difference to view points, if any. The facilitator has to act as an expert to sort out the differences.
12. At this stage, the facilitator brings forward the concept of the level or intensity of each, motivation present in any story, which has scored an AI. The concept may be high lighted with the help of the following questions:
 - i) Some of us/all of us/few of us have found AI in our stories. What does it mean?
 - ii) Does it mean that all those securing AI have the same level of achievement motivation?
 - iii) How can we know the level of achievement motivation?
13. The facilitator explains the level of motivation in terms of an associate network.
14. They are reminded of the practice stories scored as AI and are asked to score for the presence of elements in these stories.
15. A discussion with participants on the elements scored by them and clarifying their doubts.
16. The participants are asked to score elements in their own stories.
17. A discussion around total scores obtained by the participants.
18. The facilitator may focus on the frequently occurring elements and the absence of a few elements.
19. At this point, a suggestion is made to write a hypothetical story incorporating all the elements.
20. A discussion on:
 - ✓ Why the presence of all elements is desirable?
 - ✓ What the 'elements' mean to us?
 - ✓ Consciously manipulating all the elements in a story is also not easy.
 - ✓ It requires a deliberate attempt to internalize the elements and reflect them in our thinking and action.
 - ✓ It is possible to acquire a high need to achieve.

Trainer's Guide

All the steps stated earlier are present in the following four major aspects concerned in the exercise:

- excitement;
- action;
- experimentation; and
- facilitation

Activities performed under four different aspects:

(i) Excitement: Presenting a challenge before the participants to be as imaginative as possible and write interesting stories instead of merely describing the picture.

(ii) Action: Asking participants to write stories, making them serious in following instructions, and sticking to the time allotted to write the stories.

(iii) Experimentation: Know what have you done, developing concept and skill of scoring AI, TI and UI along with the elements of achievement motivation, helping them to find out the missing elements, re-writing an imaginary story incorporating all the elements.

(iv) Facilitation: What did we do? Why did we do? What do I, as an entrepreneur, find on introspection? Yes. I can, and will be an achievement-oriented person.

Scoring Manual for Achievement Motivation (TAT)

A standard procedure developed by McClelland (1958) is followed in scoring achievement motivation. To determine the presence of achievement motivation in an individual the person is invited to write a story relating to a series of pictures shown to him. The contents of the stories are analyzed not only to ascertain the presence but also the level of achievement motivation.

ACHIEVEMENT IMAGERY: THE MAIN CRITERION FOR SCORING

If the writer involves an achievement goal, either in explicit terms or in an implied fashion, then a story has achievement imagery. Achievement goal can be defined as:

- (1) Success in competition with some standard of excellence, regardless of whether the individual may achieve the goal or not, or
- (2) Success in competition with a standard of excellence where the individual is in clear competition with others and he is determined to win or to do better. This being his primary concern

1. Scoring Achievement Imagery

The AI in a story may take number of forms, but all of these are instances of a “desire to compete with a standard of excellence”.

(A) Desire for success in competition with others

Here, it is stated in explicit terms that a character affirms a desire to compete with others; example: “He wanted to win the contest” or, it may be implied using expressions of sentiments or feelings, example: “He is happy because he won the contest”.

(B) Desire for success in competition with self

In this case a standard is set which is primarily self-imposed. It could be explicit’ “He wants to complete the job by the best possible technique”, or, it could be implied, by referring to sentiment or feelings” example. “He is pleased that he found the best possible techniques to complete the job”.

(C) Unique accomplishment

When a character in a story is working on something that is out of his line of usual work, then he is achieving a unique accomplishment. This could be: creative work, scientific discovery, invention, etc. here, a ‘unique accomplishment’ need not necessarily be explicit or implied; the very fact that a person is involved in achieving something unique, is a personal accomplishment, and hence, it is evident that the character clearly expresses a desire to meet a high standard of excellence, without mentioning it.

(D) Long-term involvement

If a character in the story states that he is referring to an achievement goal, which constitutes a lengthy time period, then it is obvious that the involvement, which could be in terms of a career or any primary goal, is in itself a standard of excellence. Examples: Career involvement: “He wants to become a manager”,”He has worked hard all these years to become an entrepreneur”

II. Doubtful Achievement Imagery

If there is a story, which is unrelated, either explicitly or implicitly to any competitive standard, but bears some reference to achievement, then it is classified as TI. The 'T' stands for a common 'task' in a routine problem.

III. Unrelated Imagery

If a story fails to bear any reference, whatsoever, to any achievement or criteria mentioned above, and then it is generally classified as Unrelated Imagery (UI).

1. Scoring Sub-categories Achievement Imagery

If a story has AI, then it can be scored for achievement related sub-categories.

These are:

1. Stated need for achievement (N)

- (i) Desire to reach achievement goal.
- (ii) Strong indications of presence of motive/need.
- (iii) Specific accomplishment.
- (iv) Reference to personal status.
- (v) General desire
- (vi) Altruistic desire.

'Need' is scored only once in a story, is stated explicitly, and is a motivational statement.

2. Activity design to lead to an achievement goal (Act)

Mention of actual statement of activity independent of original statement of situation and final outcome of story; should be mentioned in the beginning, in-between or at the end; mention of past activity indicating effort.

Act +: Successful activities leading to achievement goal.

Act - : Activities leading towards un-successful outcome.

Act? : Outcome of activity is doubtful.

3. Anticipation of success or failure in relation to the goal (**Ga**)

Ga +: Positive anticipation of goal achievement.

Ga - : Negative anticipation of goal achievement.

Both these activities may be present in one story, but each can be scored only once.

4. Obstacles of blocks (Bp/Bw)

Bp: Internal or external obstacles located within the person, or personal block.

Bw: Obstacles formed as part of the environment, world, or located in a situation that the character is dealing with; also scored when difficulty lies either in the person or in a situation. Both these activities can occur simultaneously in any story, but each can be scored only once.

5. Help from another person (H)

H: Help, aid, sympathy or assistance which encourages the person to strive for achievement; to be considered from the point of view of the character in the story.

6. Feelings/emotions connected with attaining/failing to attain the goal (Fe)

Feelings or emotions associated with goal attainment, positive imagery or frustration of achievement directed activity.

Fe+: Positive feelings, imagery; direct objective, definite accomplishment; beneficiary to others.

Fe- : Negative feelings associated with failure, objective results of complete failure and deprivation.

Either of the above may appear simultaneously in the same story, but they can be scored only once.

7. Achievement theme (**Th**)

When **AI** is elaborated/enlarged to become the central theme; may or may not be an elaboration of experiences related to striving (successful or not) for an achievement goal.

Scoring of Sub-categories

Sub-categories	Symbol	Score
1. Need	N	+ 1
2. Activity	Act + or Act -	+ 1
3. Goal anticipation	Act ?	
(a) Positive goal anticipation	Ga +	+ 1
(b) Negative goal anticipation	Ga -	+ 1
4. Obstacle or blocks		
(a) Personal blocks	Bp	+ 1
(b) Worldly blocks	Bw	+ 1
5. Help	H	+ 1
6. Feeling		
(a) Positive feeling	Fe +	+ 1
(b) Negative feeling	Fe -	+ 1
7. Achievement theme	Th	+ 1
Scores with AI		+ 1

Maximum obtainable score in one story will be + 11

APPENDIX 1 TAT Instruction sheet Test of Imagination

Name -----

Age ----- Sex -----

Date-----

RING-TOSS EXERCISE

This exercise is a game of setting challenging goals. McClelland first used it in a study for finding out the risk-taking behaviour amongst children. In 1964, it was used in training for developing achievement motivation in adults. Since then it is being widely used in entrepreneurial motivation training. It is a simple and well-structured exercise, which generates here and now data in the classroom on various aspects of risk-taking behaviour.

Objectives

- (a) To enable the participant to examine his own risk-taking behaviour
- (b) To help the participant to examine the tendency to receive and use feedback
- (c) To help the participant examine his tendency to take personal responsibility in accomplishing the task
- (d) To examine one's attitude towards success or failure
- (e) To enable the participant to examine the dynamics of achievement motivation (or affiliation or power motives) as they operate through his goal-setting behaviour

Material Required

- i. A 'peg' mounted on a stable base. The height of the peg is about 18 inches.
- ii. Four light-weight rings with a diameter of about 8 inches
- iii. Distance markers (from 1 to 10) to facilitate free choice of positioning for throwing the rings.
- iv. Scoring and recording forms.

Setting: The game is to be played in an open space. It should be separated from the classroom. There should be no tables, chairs, etc., which can obstruct movement. The peg should be kept at one end from where the distance should be marked at intervals of one foot.

Time Required: The time taken for this game largely depends on the number of participants. However, a group of 15-20 participants take about 3 hours.

Size of the Group

A group of 15-20 participants is desirable for this exercise. The facilitator is required to pay individual attention in order to process the data and watch carefully the movement of an individual in the group. This is possible only when the group is relatively smaller maintaining an optimum number as stated earlier. In case the group is large, a second trainer and another set of the used for the exercise. In such situations, the exercise may be done at two different places but the processing or analysis of data can be done for the whole group at a time.

Procedure

The exercise is generally conducted in three rounds and each round has its modified set of rules, which are designed to bring to the surface specific behaviours. However, it is up to the trainer to decide the number of rounds depending upon the specific objectives he has decided.

The first round of the game is played by every participant individually. The second and third rounds are played in the presence of all participants.

The facilitator may initiate the exercise while saying, “Let us do something interesting”. Or, “Let us break the monotony”. The following instructions could be used: “Now we are going to participate in a ‘Ring-toss’ game. In this game you are required to go out one by one, play the game and return to your seat. Detailed instructions will be given where you would play the game. Please do not talk or communicate on what you did”.

First Round

The participants are called one by one to the next room/outside and the following instructions are given to them.

“The peg you can see there and these are four rings with you. The distance has been marked for you. All you have to do is to choose any one of the marked distances where you would like to stand and throw the rings on to the ‘peg’. Once you choose the distance you cannot change”.

“All the four rings have to be thrown from the same distance. No trial is allowed. Before throwing the rings please tell me the distance from where you would like to throw”. Before actually throwing the ring, the participant fills the proforma (see appendix-1). He then throws the rings. The distance chosen by the participant on the given proforma records him and each successful throw. After he completes the first round, the participant is asked to go back to the classroom and fill the remaining columns of the proforma. He may be requested not to discuss any thing with others. The trainer records the distance and number of successful throws.

Second Round

For the second round, all the participants are called. They are asked to stand on the other side of the marking as observers. Some space should be left for free movement of the player. Instructions are the same as in the first round, except that in the second round, they are free to change the distance. The trainer records the distance and number of successful throws.

Third Round

Before starting the third round, the participant may be asked, “How did you like this game? Would you like to play once again? Fine. If you agree, lets start the game. This time you have to pay an entry fee of Re.1/- (amount can vary). Those who do not wish to participate, are free not to. This time the success of pay off will be given if two rings go around the peg. The trainer here can decide the payoff for various distances. He selects the cashier from among the participants. He collects the money and gives it to those who get the pay off. The trainer records again the

distance and number of successful throws. The trainer then transfers the data of all the three rounds of every participant on the flipchart/blackboard.

Processing

Discussing the data is the most important part of this exercise. Till the time the discussion takes place, the participant may not be aware of the significance of the data they generated for themselves. The processing can be done by initiating questions like: “How did you feel”, “What did you feel while doing the exercise”. The response would vary. The participant might say “nothing”, “enjoyed”, “funny”, etc. The trainer could further ask the respondents to clarify the responses. (The trainers might ask, “What did you feel as I made the simple task difficult”. The answer could be “To have more fun”. Or, “Making it more challenging.

The trainer may remember that the data generated by the game and the behaviour shown by the participants are to be treated as suggestions rather than conclusions. (The trainer should not force any of his conclusions on the participant but should help them raise questions about themselves). When a participant expresses that the task was challenging, the trainer might ask him to elaborate further or ask what “challenge” means to him and so on. The trainers can pick up some typical as well as exceptional cases from the data from the blackboard.

They can be asked to narrate their whole experience about the game they played. The following questions may generate meaningful discussions:

1. Which round did you enjoy the most? Why?
2. How did you feel when others were watching you?
3. Why did you choose the particular distance to throw the rings in the second round?
4. What did you play for? What was your goal? Distance or throwing the rings on the peg?
5. How did you set your goal?
6. Why did you throw all the rings together?
7. When the first three were lost, why did you not throw the other one?
8. What did you think after the first throw?
9. What did you think after all the four throws?

Ring – Toss Game (Data Sheet)

This game involves throwing rings over a peg. You will see a peg on the floor and various distance marked away from it. You will be required to throw the rings three times.

After each attempt makes your notes:

TABLE 1

- 1) Where did you stand?
- 2) How many rings you think you will be able to put
- 3) How much confident you were (in term of percentage)

TRIALS		
I	II	III

TABLE II

Trial	What you consider is responsible for your success/failure	How do you feel about your performance
I		
II		
III		

TABLE III Pay off Matrix

Distance as indicated on The other of two or more rings	Monitory gains in the case
1	0
2	0.25
3	0.50
4	1.00
5	2.00
6	3.00
7	5.00
8	7.00
9	10.00
10	20.00

ACHIEVEMENT PLANNING

APO Exercise Record Sheet

A. First Estimate:

1. How many units can you make in five minutes?

2. How confident are you about this (express your Confidence in terms of percentage)

3. Why do you think so:

B Time trial:

Time taken by you to manufacture one unit

C. Revised estimate:

1. How many units can you make in five minutes?

2. What is your investment?

3. How confident are you about this capacity?

4. Why do you think so?

D. Penalty:

1. What was the difference (in units) between “First” and “Revised” estimates?

2. What is the penalty? (the difference in “First” and the “Revised” estimate x 500)

E. Performance on production run:

1. How many units did you make?

2. How many units did you sell?

3. What was your income? (unit sold x 15,000)

4. What is your profit/loss, difference Profit
Between C (2) and E (3)

Loss

5. What is your profit/loss after penalty?

F. What factors contributed to the profit or loss?

PENALTY CHART

Penalty for the difference between “First” estimate and “Revised” estimate

Difference in estimate	Penalty @
By 1 more or 1 less	500
By 2 more or 2 less	1000
By 3 more or 3 less	1500
By 4 more or 4 less	2000
By 5 more or 5 less	2500
By 6 more or 6 less	3000
By 7 more or 7 less	3500
By 8 more or 8 less	4000
By 9 more or 9 less	4500
By 10 more or 10 less	5000

Investment/Profit/Loss Chart

Prices of raw material		Cost of raw material	Selling Price	Profit
First slab @ Rs.10,000/- per sheet	1 sheet	10,000	15,000	5,000
	2 sheets	20,000	30,000	10,000
	3 sheets	30,000	45,000	15,000
Second slab @ Rs.9,500/- per sheet	4 sheets	38,000	60,000	22,000
	5 sheets	47,000	75,000	27,000
	6 sheets	57,000	90,000	33,000
	7 sheets	66,500	1,05,000	38,000
Third slab @ Rs.9,000/- per sheet	8 sheets	72,000	1,20,000	48,000
	9 sheets	81,000	1,35,000	54,000
	10 sheets	90,000	1,50,000	60,000

PROJECT FORMULATION AND PREPARATION OF FEASIBILITY REPORT

Purpose

Project formulation is a process, whereby the entrepreneur makes an objective and independent assessment of the various aspects of an investment proposition of project idea for determining its total impact and viability. It forms a basis for an entrepreneur to decide on the commercial viability of her venture and also provides necessary data for financial institutions to lend money to prospective entrepreneurs.

It helps the prospective entrepreneur to:

- Estimate the financial requirements of her project
- Understand the demand of the client system and identify the markets for her product
- Assess the infrastructure requirements as well those of raw materials, skilled and unskilled manpower.
- Draw up a time frame which will indicate when the business would reach optimal activity level to generate a financial surplus.

The formulation of a project results in a PROJECT REPORT, which should have details about:

- product/service
- location
- ownership
- market
- project cost
- funding pattern including the term loan and working capital requirements
- assistance for technical collaboration.

Contents of a Project Report

The project report can be prepared by the entrepreneurs, with the assistance of other reliable agency or she can engage a consultant if she can afford to pay for the consultant.

The entrepreneur has to collect, collate and present information as follows:

1. Introduction

- Status reports on the industry in the state/country and inputs, if any.
- Rationale for selecting the project

2. Promoter

- Educational background, work experience, project related experience
- Similar information for any other key persons associated in promoting the project.
- If the state is one of the promoters and if the project has international
- Ramification with respect to marketing, technology etc., the formation
- Regarding similar projects promoted by the state is to be provided

3. Project Description

- Description of product and its use
- Installed capacity
- Operating capacity
- Special features of the project
- Any legal requirements/stipulations regarding the product at national/international level.
- Nature of clearances from government and other regulatory agencies for setting up the project.

4. Location

- Exact location
- Various alternatives
- The deciding factors and availability of:
 - raw materials
 - market
 - Infrastructure-power, water, developed areas/sheds
 - skilled labour
 - easy accessibility
- Subsidy
- Locational advantages

5. Land and Building

Decision on rent or build: If built,

- area of land required
- built-up area
- type of construction
- cost

6. Plant and Machinery

- Capacity of machinery-depending upon quantity to be produced
- Equipment balancing
- Instrumentation equipment-matching capacities of different equipment
- Spares

- Various alternatives
- Cost
- Suppliers
- Criteria for selection
- Type-dependent on nature of operations and their sequencing
- Operational parameters like temperature and pressure control

7. Miscellaneous Assets

Wherever necessary:

- Air conditioning system
- Office automation equipment
- Cost and sourcing

8. Production Process

- Indigenous/Imported
 - If indigenous
 - newly developed
 - existing
- Process for acquiring the technology if not readily available
- Obsolescence
- Description of the process
- Process flow chart.

9. Production Programme

- Time required to make one unit of the product
- How much/how many in one week, one month, first year, second year and so on up to ten years.
- Any national or international standards set for product quality.
- Maintenance with respect to production programme and production process.

10. Raw Materials

- List of raw materials needed
- Quantity required for one unit of output
- Quantity needed in the first year, second year and so on up to ten years
- Quality specifications for the raw materials
- Sources of procurement; if the raw materials are to be procured from the international market, are there any restrictions on supply?
- Cost of raw materials for the first year, second year and so on up to ten years
- Supply position, i.e., position regarding availability of the raw materials.
- Any tie-up arrangement for procurement of raw materials
- Alternative raw materials other than what is proposed to be used.

11. Utilities

- Requirement of power, water, steam, compressed air and other consumables
- Quantity and value for the first year, second year and so on up to ten years
- Sources of said materials
- Position regarding availability of said materials
- Any specific arrangements for electric power

12. Manpower

- Requirement of skilled, semi-skilled personnel for production operations
- Requirement of administrative/managerial staff and marketing personnel
- Cost of manpower during first year, second year and so on for ten years.
- Position regarding availability of skilled manpower.

13. Market

A: Current Market Status:

- Major end-uses of the product
- Any substitute products available in the market
- Proposed product a substitute for an already existing product in the market
- The major buyers
- Who influences purchase decision
- The major criteria that a buyer looks for while purchasing the product
- Similar products available in the market, if so the major attributes of such products.
- Status regarding competitors at the regional/national level if the project is expected to market the products in the international scene
- Major strengths and weaknesses of the competitors
- Difference between the product proposed to be manufactured and the products already available in the market
- Strengths on which the project propose to make an entry into the market and capture a reasonable market share
- The trade practices being adopted by the competitors or those producing the product currently in the market place.
- The trade channels normally adopted by the competitors.

B: Proposed Approach towards Marketing:

- The geographical area that would constitute the limit for marketing the product regional, national, international (Name/s)
- Distribution channels to be adopted
- Trade practice
- The strategy for entering the market and promoting sales

14. Working Capital Requirements

- The stock levels of raw materials, work-in-process and finished goods to be maintained - justification-the amount involved in the stock of raw materials, work-in-progress and finished goods.
- Extent of credit facilities to be offered to be buyers. It has to be reflected in terms of the cost of that quantum of goods against which payment would be outstanding at any given point of time considering the length of credit facility offered.
- Based on the above, the total working capital requirement is to be calculated and the source to meet the same has to be indicated.
- If foreign current loan is being sought for import of raw materials on a regular basis from outside the country, details of the requirements have to be provided.
- The nature and extent of credit facilities available from the suppliers of raw materials. The same have to be accounted for while arriving at the working capital requirement.
- The arrangements for financing working capital are to be indicated.

15. Requirement of Funds

- Cost of the project giving a break-up of the cost of land, buildings, machinery, miscellaneous assets, technical know-how fees if any, preliminary and pre-operative expenses, contingencies and margin money for working capital.
- The proposed funding pattern to meet the cost of setting up the project requirements of funds from national/international financial institutions towards capital expenditure and contribution from the promoters of the project. Also include any other sources of funds including subsidies available from the state.

16. Cost of production and profitability projections for ten years

17. Cash Flow Statements

18. Break Even Analysis

19. Implementation Schedule

Suggested Activity

Distribute the proforma for preparation of Feasibility Report in the first week of the training. Discuss with the participants their project idea and help them in preparation of the report. This activity can be taken up after the participants return from their market survey. Ask the participants to present their report at the end of the programme. At the time of participants presentation, officials from Banks, Government Departments and Financial Institutions may be invited for interaction and providing their valuable suggestions to the participants.

PROFORMA FOR PROJECT REPORT

- 1.0 Introduction
- 2.0 Scope of the project
 - 2.1 Background
 - 2.2 Promoter
 - 2.3 Use of the product
 - 2.4 Market for the product
 - 2.5 Availability of raw materials
 - 2.6 Technical know-how
 - 2.7 Technical feasibility
 - 2.8 Project particulars
 - 2.9 Location
- 3.0 Manufacturing process
 - 3.1 Land and building
 - 3.2 List of machinery, equipment and furniture worth of `
 - 3.3 Essential services
 - 3.4 Power
 - 3.5 Water
 - 3.6 Others
 - 3.7 Manpower required

A.	General staff	No.	Salary per month Rs.

		Total Rs.	-----

B.	Skilled workers	Nos.	Salary per month Rs.
1.	Skilled workers @ Rs.	Each	
2.	Semi-skilled workers @ Rs.		
3.	Unskilled workers @ Rs.		
		-----	-----
		-----	-----
A + B = ` ESI, Bonus, etc.			-----
	Say Rs.		-----

3.7 Schedule of implementation

It will take about (Mention the no. of months) it will take to implement the whole project after the sanction is obtained.

3.8 Project cost

1. Land and building area of _____Sq. ft. – Rented
 2. Machinery and equipment
 3. Preliminary and pre-operative expense
 4. Working capital for 3 months
- -----

3.9 Mode of finance

It is proposed to finance the project as follows:

A. Promoters contribution

1. 10% cost of machinery and equipment
 2. 10% cost of miscellaneous assets
 3. 50% cost of preliminary and pre-operative expenses
 4. Margin money for working capital
- -----

B. Term loans from financial institutions

1. 90% cost of machinery and equipment
2. 90% cost of miscellaneous assets
3. 50% cost of preliminary and pre-operative expenses
4. Advance loan for working capital

4.0 Economic feasibility

4.1 Cost of production and financial viability, see Annexure

4.2 Cost/Benefits (profitability ratios)

4.3 Cash Flow: The total cash accruals, for the first year production when full capacity is established will be ` _____

5.0 Conclusion and recommendations

Manufacture of the product seems to be technically, financially and economically feasible.

PROJECT APPRAISAL

Need for Project Appraisal

Financial institutions and development banks are looked upon as engines of economic development. They endeavour to accelerate the pace of economic growth in conformity with national objectives, plans and priorities.

Scarce resources – Demand for funds for all types of projects – Need for judicious and rational allocation of resources – Implies selectivity in financing projects – Appraisal helps in achieving this end.

What is Project

The word project has wider meaning. It refers to investment in several areas of economic development including agriculture, education, transport and industry. For the purposes of our discussion, we would consider industrial projects.

An entrepreneur (or a group of entrepreneurs) conceives the idea of setting up an industrial project after an assessment which indicates that there is demand for the project to be manufactured and the profit margin would be attractive. After identifying the project he has to do certain preparatory work. This would include obtaining letter of intent/industrial license, arranging foreign collaboration and preparation of project report by engaging a consultant, if necessary. The stage is now ripe for him to approach financial institutions for assistance.

What is Project Appraisal

Appraisal can be defined as a second look at the project report by a person who is in no way involved in its preparation. It helps in taking an entirely independent view of the project. Appraisal is comprehensive and systematic review of all aspects of a project.

It would not be possible to have a out and dry formula with the help of which a project could be judged straight away as acceptable or unacceptable. No doubt broadly the same set of factors is taken into consideration in scrutiny of individual application but weightage given to several factors varies from case to case.

Appraisal highlights weak areas in the project with the ultimate objective of strengthening them adequately so as to ensure final success of the project.

The main object of appraisal is to improve and revamp the project with the cooperation of the promoters.

No doubt appraisal of a project is done by a team of officers and they take the prime responsibility in regard to the conclusions emanating from the appraisal. However, for the outside world, it is an appraisal by the financial institution and it is natural to expect that such an appraisal should be of a very high order. The appraisal team should, therefore, ensure that the prestige of the institution is not impaired by a faulty or slipshod appraisal done in a hurry.

Since project appraisal is an exercise in future based on certain assumptions, it is necessary to understand the environment in which the project has to sustain itself.

Appraisal is a joint exercise by promoters and institutions. Expediting the appraisal depends very much on the speed with which the information is forthcoming from the entrepreneurs.

The project should be appraised within a time bound programme – any under delay in implementation is bound to distort profitability projections and make success of the project a difficult task.

In case of technocrats and new entrepreneurs, a particularly tolerant and understanding attitude is necessary in view of their lack of industrial experience.

It may be mentioned that the approach of a development banker is somewhat different than that adopted by a commercial bank. As assistance granted by financial institutions is spread over a fairly long period ranging 10 years or even more and the relationship between the lender and the borrower is of a durable nature, the investigation and scrutiny of an application has to be more detailed and comprehensive with a view to ensure that the project is capable of coming to fruition according to the professed intention of its promoter and will later thrive and grow so as to yield adequate returns for the smooth servicing of the commitment undertaken by it.

No doubt a financial institution insists on its loan to be adequately secured by a proper charge on the assets. However, the concept of a forced sale of the assets to recover the loans is repugnant to the thinking and responsibilities of a financial institution. The real security is represented by the surplus, which the project is estimated to yield and the appraisal has to ensure doubly that such surplus shall be available not only to meet the loan commitments on time but also to service the risk capital to a reasonable extent.

Appraisal does not set down a categorical statement of the long-range prospects of an enterprise unit but only provides broad guidance to the financial institution to form its judgment regarding the future profitability and prospects of a particular project and to work out terms and conditions for its assistance.

METHODOLOGY

Application Form

The financial institutions require that an entrepreneur seeking financial assistance should furnish detailed information about the project in a prescribed form. The form is sufficiently comprehensive and covers all important aspects of a project. It is so designed that an analysis of the information therein should enable the financial institution to judge the viability of the project. It is essential that proper guidance is provided to the promoters for completing the application forms.

The appraisal of a project is done by a team comprising an economist, an engineer and a financial analyst.

Scrutiny of Standard Application Form

First step in detailed appraisal is in-depth study of information submitted by the entrepreneur to see:

- Adequate data has been furnished against every item.
- Prima facie information furnished is correct.
- Information furnished under several items could be cross checked.
- Both in scrutiny of the preliminary information and the processing of the application, personal discussion between the officials of the financial institution and the representatives of the borrowing concerns are both necessary and desirable. They help to reduce avoidable correspondence and thus facilitate an expeditious disposal of the application.
- Clarifications/additional information called for wherever necessary.

A project is likely to receive favourable consideration and detailed appraisal is taken if:-

- it has priority according to Govt. guidelines;
- the promoters inspire confidence;
- the technology to be adopted is well proven;
- the product to be manufactured have market potential;
- the project cost is not unreasonably high;
- the promoter's contribution is not unduly low; and
- profitability estimates are conservative and indicate repayment of proposed institutional loans within, say, about 10 years.

A proposal is rejected without detailed appraisal if it has some of the following features:

- Banker's report on the promoters is not satisfactory.
- Promoters are reported to have indulged in illegal and anti-social activities e.g. smuggling, foreign exchange violation, income-tax evasion.
- Promoters hail from a group which is not taking adequate steps to rehabilitate one of its existing sick units assisted by the institutions.
- Financial position of the promoter company is not satisfactory.
- Industry to which the particular unit belongs has low priority or is included in the negative list in Govt. guidelines.
- Cost of the project is unduly high.
- Promoters' contribution is unusually low and the promoters decline to increase it.
- Debt-equity ratio is abnormally adverse.
- Location of the proposed unit has apparent disadvantages e.g. for removed from sources of raw materials, markets for and products without any countervailing advantage/concession.
- Collaborators have inadequate experience and/or the units with which they have been associated earlier have not been functioning satisfactorily.
- Equipment supplied by the proposed machinery suppliers to some other units has not been performing satisfactorily.
- Second-hand equipment to be acquired is too old and will not have trouble free residual life.
- Process know-how/technology to be adopted has not been proved successful on a commercial scale.
- Process know- how/technology has become obsolete.
- Availability of raw material in adequate quantity and on a steady basis is doubtful.
- There is no certainty that utilities like power, water will be available by the time the project needs them.
- Products to be manufactured do not have sufficient market potential.
- Preference is given to proposals/projects which
- Would utilise any industrial waste or agricultural surplus as raw material;

- Are export oriented or import substitute;
- Are employment-oriented;
- Are located in specified backward or less backward area;
- Would help in setting up of ancillary small scale units.

Site Inspection

Second step in project appraisal is site inspection by appraisal team consisting of technical and financial officers. Sufficient notice of site inspection should be given to promoters for site inspection. Inspection team should pay particular attention to assessing suitability of site by ascertaining its distance from Railway Station, National/State highway, sources of raw materials and market forced-products, timely availability of utilities, particularly, power should be assessed and, if necessary, discussion be held with State officials. Effluent disposal arrangements should be carefully scanned to ensure that these would be up to Govt. specifications. Sources of skilled and unskilled labour and availability of social infrastructure-residential accommodations, school, college, hospital near the site may be looked into. During site inspection, the inspection team should discreetly collect market reports on the promoters, their financial strength, credibility and capacity. Care should, however, be taken that such enquiries do not result in any embarrassments for the promoters.

In the case of new projects, physical inspection may not be strictly essential. However, even in such cases, a visit to the site of the project would give the officers of the financing institutions, visual picture of the location of the site and will enable a better appreciation of the other relevant question such as expenditure on development of land, arrangements for water supply, power etc.

Detailed Study

The next step in appraisal is detailed study of the following aspects of the project:

- a) Market
- b) Management
- c) Technical
- d) Financial
- e) Economic

It has to be borne in mind that the project is one whole and it has to be appraised as such. A few deficiencies in one area may be more than made up by the strong points under another head. The appraising team should, therefore, judge the project as a whole and without laying undue stress on a few weak point or being misled, by a couple of areas of strength. Projects brought up by new entrepreneurs who are inexperienced are bound to have some draw-backs/deficiencies. The objective of a good appraisal is to improve and revamp the project with the cooperation of the promoters till it satisfies the test referred earlier.

a) Market

In most developing countries the decision to invest in the manufacture of a product is often taken prior to any assessment of the market for the product. This lack of appreciation for market analysis in project appraisal can seriously affect the success of a project.

Market is a very important aspect of the project and it must be appraised very carefully. In order to make proper market appraisal, the borrowers are required to furnish:

- Brief notes on the product, its major uses, scope of the market, possible competition for substitute products etc.
- Special features (regarding quality, price etc.,) of the product which would result in consumer preference for the product in relation to competitive products.
- Estimates of existing and future demand and supply of the products proposed to be manufactured.
- An assessment of likely competition in future and special feature of the project which may enable it to meet the competition.
- Export possibilities and comparative data on manufacturing cost and prices (domestic as well as exports) export, incentives available, if any.
- CIF and FOB prices and landed cost of the proposed product.
- List of principal customers and particulars of any firm arrangements entered into with them.
- Particulars of Government controls, restrictions, if any, on the sale price, distribution, import, export, etc., in respect of the products proposed to be manufactured.
- Selling arrangements – whether directly or through distributor/dealers.
- Note on selling organisation, copy of agreement with selling agents – appointment of relatives as selling agents to be avoided.
- Trend in prices during the last 5 years.

The above data supplied by promoters is analysed and cross-checked from other sources such as government agencies, market surveys. The exact methodology that needs to be adopted for a particular product depends on the type of the product.

The first step in market appraisal is to consider the current situation, taking into account output of the product to be manufactured and the existing demand for it with a view to establishing whether there is unsatisfied demand. Market study should go beyond immediate prospects. Possible future changes in the volume and pattern of supply and demand will have to be estimated in order to assess the long term prospects of the unit. Ascertaining demand alone is not sufficient. Knowledge of proper pricing, distribution and advertising policy are also essential to assess the market.

Analysis of demand requires:

- i) The determination of the total demand for a product or service, and
- ii) Determination of the share of the total market that can be secured by the firm through appropriate marketing strategies.

The financial institutions are primarily concerned with above because the size of the overall market depends on a host of factors outside the promoter's control and hence a thorough assessment of these factors is essential before assistance can be committed to a project.

Forecasting Demand

Broadly three types of techniques are most frequently used by financial institutions in preparing demand forecasts:

- i) Trend Method
- ii) Regression Method
- iii) End-Use Method

The first two methods are quite alike. Both tend to forecast demand statistically basing them on past, trends in certain variables. In case of (i) the variable is consumption set against time. In case of (ii) it may be incomes, prices etc.

The basic steps involved in the End Use approach are as follows:

- i) Identify the end-user enterprises.
- ii) Make an intensive study of the past and present situation and a thorough assessment of the future prospects of the various end-user enterprises.
- iii) Determine the expected levels of production for the various end-use enterprises.
- iv) Determine the consumption norms for each end-user industry in respect of the product for which the forecasts are needed.
- v) Estimate the requirements of the end-user industries for the forecast item as a product of the consumption norms and the expected future production the end-user industry.
- vi) The estimated needs for the forecast product from all the end-user industries.

Clearly, once the requisite data is available the exercise is comparatively simple. Hence the key to effective market analysis depends on available data. For most products the data is available in one form or another and, in fact, in any cases, market forecasts are also available. In these cases, we use these forecasts as a starting point and cross check the data and the assumptions used in the exercise to derive the results

For products manufactured by the large scale organised sector in India, the Directorate General of Technical Development (DGTD) and the Planning Commission estimate demand. In addition, respective manufacturing associations and other private institutes and consultative bodies also estimate demand. Where demand estimates are not available, basic data becomes available from these institutions, and is utilised to prepare estimates in the manner described above. For products in the small-scale sector, the Development Commissioner for Small Enterprises performs similar functions. In addition, other institutions such as National Small Industries Corporation, Small Industries Services Institute etc. provide valuable information.

The use of end-use technique is relatively simple when the number of end-use enterprises is small. In some cases (for example CLS lamps) where the number of end-users is phenomenally large, we have to resort to the trend method of projection, supplemented by discussions with knowledgeable persons in Government, industry and trade to estimate future demand. Finally, in cases where the number of end-users is very large and the product is new (so that past consumption data does not exist) we must generate basic data. This requires a limited field survey on a statistically valid sample which is then blown up to provide regional demand estimates depending upon the product and requirements. Normally services of outside consultants or research institutes are used for such surveys.

b) Management

Management is the most vital input for the success of a business enterprise. It is the backbone of a project from appraisal stage to successful implementation and future growth. It is the quality of management that makes all the difference between success and failure of a project. Though management is the most important factor yet it is most difficult to assess and evaluate because it is abstract, intangible and non-quantifiable. Assessment of management is more an art than a science. In management appraisal we are concerned with integrity, caliber, resourcefulness and quality of management. The aim is to identify management gaps and inadequacies and supplement them wherever necessary having regard to the background, experience and managerial capability of the entrepreneurs. There are no set rules or procedures as to how the background of a promoter is to be investigated. Besides making reference to his banker, the officers of financial institutions call on promoter's banker and other persons connected with industry and trade to get first-hand information on the antecedents of a promoter. But by and large a view on the promoter's ability is formed during detailed discussions with the promoters in the course of appraisal.

The task of management evaluation is somewhat simpler when the project is one merely involving expansion and/or diversification of the existing activities. A fairly good idea can be formed from a study of the working results of the existing concern and other concerns with which the promoters are associated and banker's report.

Management appraisal involves the assessment of the following:

- the entrepreneur
- the board of directors
- the chief executive
- the departmental heads

The Entrepreneur

While evaluating management, a clear distinction is to be drawn between an entrepreneur and a manager. The former is builder of an enterprise and an opportunity exploiter while the latter is an organisation developer and problem solver. The characteristics of an entrepreneur are a high-need for achievement, risk taking behaviour, desire to change, ability to identify an opportunity etc.

Chief Executive

He is the nerve centre of the unit and he ultimately determines the success or failure of the unit. The caliber of chief executive is very important. Besides background, experience and qualifications of chief executives, his style of management and whether he needs to professional advice and delegates authority or whether he has a tendency to concentrate everything to himself are looked into.

Departmental Heads

The organisational chart should be examined to see that the unit develops proper organisational structure to meet the requirement of the unit during implementation and production stages and there is proper delegation of authority.

c) Technical Aspects

The technical feasibility of a project is examined by the engineers in the Bank. The feasibility reports furnished by the borrowers are critically examined. In technical appraisal, following aspects are generally looked into:

Location

To be decided keeping in view the relative importance of the various factors of production i.e. land, raw material, utilities, effluent disposal, transportation, labour, infrastructure etc. It is not always possible to have all the above facilities at one place. Relative importance of each factor would have to be studied to decide suitability of location.

Land

Requirement of land can be assessed from plant layout and buildings to be constructed. Land should be sufficient not only for the proposed project but also for future expansion. If the proposed plant and machinery is very heavy, the load bearing capacity of the land would have to be ascertained. A copy of agreement for purchase of land is obtained.

Buildings

The details of civil construction for factory and administrative buildings indicating, inter- alia, type of construction, area and rate per square metro of construction are obtained from the applicant company. Copy of plant layout, design, map of building and copies of agreements with the building contractors are obtained.

Technology and Manufacturing Process

It is to be ensured that the manufacturing process to be adopted is modern and at the same time appropriate to the level of economic development of the country. Where sophisticated or new process is to be adopted, the advice of a committee of technical experts is also sought before the project is cleared. A study is made of the suitability of the technology being adopted to ensure that benefit of advances and developments in technology are available to the unit.

If a product can be manufactured by using alternative raw materials with alternate process, a comparative study would be necessary to choose the more suitable process. There should be natural preference to adopt a tried and conventional process. However, if a new process is more economical, it should be preferred but its work ability at least on a pilot plant basis should be established before accepting it for commercial exploitation. It is also desirable that in the case of a new process, the process suppliers join in equity participation to have their more involved association with the project.

A process from a foreign country should not be adopted without due consideration to local conditions. Instead of going in for a highly sophisticated process, a developing country may prefer to opt for a manufacturing process, which is labour intensive because labour is not only abundant but also comparatively cheap.

Collaboration

The manufacturing process and section-wise capacities proposed are examined in detail with a view to inter alia determining the balancing of different sections of the plans and fuller utilisation of the in-built capacity.

If the promoters have entered into an agreement with the foreign collaborators, copy of agreement should be obtained. The terms and conditions of the agreement should be studied carefully. The agreement should clearly define the nature of support to be provided by the collaborators in planning and designing the project, selection and procurement of equipment, installation and operation of the plant, training of personnel etc. The agreement should also define the royalty payable to the collaborators, production parameters and guarantees.

Reports on the performance of the plants set up by the collaborators elsewhere should be obtained where necessary through embassies in foreign countries.

Size of the plant

Generally a large size unit is more economical but if setting up of a large size unit needs large capital investment or the demand for the end product is limited or adequate raw material is not available, a small size unit should be preferred. The concept of economical size of the plant changes with the change in technology, price structure, availability of raw material, demand for the end product etc. Provision should be made to increase the capacity in phased manner.

Plant and Machinery

In the case of an existing undertaking, it is necessary to have details of the plant and equipment already installed at the project. In respect of plant and machinery to be acquired for the project, it is necessary to ascertain the details of the equipment to be obtained from indigenous sources and the machinery that is proposed to be imported.

The points looked into are – suitability and adequacy of plant and machinery for the manufacturing process proposed to be adopted, basis of selection, reasonableness of cost, reputation and ability of the machinery suppliers to effect deliveries in time, arrangements/agreements with machinery suppliers with special reference to guarantee for workmanship and performance and provision for supply of spare parts.

Special care is taken in projects involving the acquisition of reconditioned machinery. The justification for going in for reconditioned machinery, viz., lower initial capital outlay and suitability of the technology to the stage of development in the country is carefully weighed against the possibility of the cost of machinery being highly inflated and the operational efficiency of the plant. Generally, the acquisition of reconditioned machinery is discouraged.

Raw Materials

The availability of raw materials and components required for a project is an essential factor to ensure its soundness. The appraising officers should satisfy themselves that the essential raw materials required for the project would be readily available on a sustained basis. In this connection it is necessary to acquaint oneself about the existing Govt. policies in regard to the regulation of supplies and prices of both indigenous and imported raw materials, whether any firm arrangements have been made or are proposed to be made by the borrowing concerns for steady procurement of raw materials and whether any difficulties are envisaged in the matter of procurement of the requisite materials. In the case of industries like cement, refractors, glass, which have to depend on mines or quarries for supply of raw materials, it is ensured that the company has made satisfactory arrangements by way of lease of mines/quarries or otherwise, for regular supply of the required ores/minerals, and that estimates are based on proved reserves of minerals. If necessary, discussions are held with concerned authorities.

Power Supply

In the case of an existing undertaking, it should be ascertained as to what the present requirements of power supply for the project are and whether the arrangements already made are satisfactory. It should be further examined what the requirements of the expansion or new project are likely to be and how these are proposed to be met. In the case of certain projects, such as, aluminum and heavy chemicals, steady and economical supply of electric power is an essential pre requisite of the industry and, as such, this aspect requires proper investigation. Where the process of manufacture is of a continuous type as in the case of a glass industry, it is necessary to ensure that adequate standby arrangements for this purpose are made at the project site so that production is not interrupted on account of any sudden or unforeseen breakdown in the normal source of power supply.

Water Supply

There are certain industries like paper mills which require large quantities of water for the manufacturing process. Others also have to make adequate arrangements for water supply both for factory and non-factory purposes, including the requirements of the staff colony and labour quarters. The technical appraisal of the project should, therefore, include examination of the arrangements made or proposed to be made for meeting requirements of water supply. In case water is proposed to be obtained by boring, tubewells, a report on the adequacy of such supplies is desirable. In the case of certain processes the quality of water is also relevant and if it is found unsuitable, provision has to be made for the installation of a filtration or water treatment plant.

Labour Supply

An appraisal of a project must also include a study of the availability of skilled, semi-skilled and unskilled labour required for a project. Where the requirements of skilled personnel is of a specialised type, an enquiry into the arrangements for training including the phasing of such programme vis-à-vis the programme of construction and production is desirable.

Effluent Disposal

It is necessary that arrangements for effluent disposal should be in conformity with the State Regulations. It may be verified whether adequate arrangements have been made in this regard and permission of local authorities obtained for disposal thereof.

Implementation Schedule

Taking into account the time taken for completing major items of work like acquisition of land and site preparation, commencement and completion of civil construction, placing of orders and delivery of imported/indigenous machinery, erection of machinery, trial runs and commercial production, a schedule of implementation is drawn up as shown below. Big projects make use of PERT and CPM techniques to keep a watch on implementation of project.

SCHEDULE OF IMPLEMENTATION

	Commencement (Month and year)	Completion (Month & Year)
i)	Acquisition of land	
ii)	Development of land	
iii)	Civil works	
	<ul style="list-style-type: none">• Factory building• Machinery Foundation• Auxiliary building• Administrative building• Miscellaneous buildings	
iv)	Plant and machinery:	
	Imported	- Placement of order - delivery at site
	Indigenous	- Placement of order - delivery at site
v)	Arrangements for power	
vi)	Arrangements for water	
vii)	Erection of equipment	
viii)	Commissioning	
ix)	Procurement of raw material and chemicals	
x)	Training for personnel	
xi)	Trial runs	
xii)	Commercial production	

d) Financial

The following aspects are examined to assess the financial soundness of a proposal:

- Analysis of past working results in case of existing concerns
- Cost of the project
- Means of financing
- Financial projections

Analysis of past working results

In the case of a going concern, it is also desirable to make an assessment of its latest financial position. For this purpose, it would be necessary to call for its latest audited balance sheet and profit and loss statements as also the balance sheet for the last 3/5 years. In case an audited balance sheet as on a fairly recent date is not available, it would be useful to ask the concern to furnish a proforma balance sheet and profit and loss statement certified by the management.

The latest balance sheet and profit and loss account may be analysed with a view to ascertaining, inter alia , whether the concern is under/over-capitalised, whether the borrowings raised are not out of proportion to its paid-up capital and reserves, how the current liabilities stand in relation to the current assets, whether the block has been properly depreciated and has not been shown at an inflated value, whether there is any inter-locking of funds with associate concerns and whether the concern has been ploughing back profits into the business and building up reserves. An analysis of the profit and loss accounts statements would also be useful, as it would indicate inter alia how far the projected profits for the future are realistic.

Capital Cost of the Project

The capital cost of the project is shown as under

(In thousands of rupees)

	Rupee cost	Rupee equivalent of foreign exchange cost	Total cost
1. Land and site development			
2. Buildings			
3. Plant and machinery			
- Imported			
- Indigenous			
4. Technical know-how fees			
5. Expenses on foreign technicians and training of Indian technicians abroad			
6. Miscellaneous fixed assets			
7. Preliminary and preoperative expenses			
8. Provision for contingencies			
9. Margin money for working capital			-----
Total			-----

It has to be seen that all items have been included in the cost and the expenditure under each head is reasonable i.e. neither underestimated nor excessive. The main issues examined while determining the reasonableness of the project cost are discussed below:

Land and site development

The cost of land including conveyance charges is generally based on actual price paid by the company and/or ruling in the particular area. In cases where land is acquired from the promoters, a detailed investigation is carried out to see that the promoters do not derive any undue benefit from the transaction. Site development expenses include provision of leveling of land, laying roads etc.

Building

The company is required to furnish details of civil construction for factory and administrative buildings, indicating, inter alia, type of construction area and rate per square meter of construction. Due provision should be made for godowns, railways sidings etc. These estimates are checked by the financial institutions on the basis of their experience of other cases. The agreement, if any entered with the building contractors should be scrutinised.

Plant and Machinery

It is to be verified whether the company has obtained competitive quotations for the plant. The estimates are scrutinised to ensure that intangible expenses such as erection charges, expenses on foreign technicians, import duty insurance and freight charges for transport of equipment to the plant site have been included. The cost of indigenous and imported machinery is verified as far as possible from actual quotations. Contracts entered with the machinery suppliers should be examined.

Technical know-how and engineering fees

Provision made for technical know-how and engineering fees, expenses on foreign technicians and training of local technicians abroad, payment of consultancy fees etc. should be examined to see whether the same are reasonable or not. Agreements entered into with suppliers of know-how and consultants should be scrutinised in this regard.

Miscellaneous fixed assets

It includes furniture, office equipment, tools, vehicles, equipment for distribution of power, steam, water, laboratory equipment, fire fighting equipment, plant for effluent disposal etc. It is to be seen whether adequate provision has been made for the same.

Preliminary and pre-operative expenses

It is ascertained whether the company has made adequate provision for expenses for raising of share capital and term loans, including charges for creation of legal mortgage from loans. The pre-operative expenses are determined on the basis of schedule of construction besides the day-to-day expenses, adequate provision is made for interest on the loans payable and deferred payment installment falling due during the period of construction.

Contingencies

Contingency provision is designed to the care of unexpected expenses over and above those estimated in the cost of the project. Though it is difficult to lay down any hard or fast rule regarding the extent of contingencies, a 10% contingency margin is generally provided on the non-firm cost of the project.

Margin for working capital

Working capital requirements of the project should be carefully worked out as any paucity of working capital fund in the initial stages when the unit will have no internal accruals might throttle the project. It is usual to provide for 2-3 months stock of indigenous materials and upto 6 months stock of imported materials. Wages, salaries, cost of power, steam, fuel, packing and sales expenses are taken at one month. The provision for goods-in-process is generally taken at around 15 days but this would obviously vary depending on the nature of the industry. Provision is also made for receivables at the rate of about 2 months' sales. It is usual to deduct from the working capital so arrived at the amount of purchases available on credit for one/two months. Short-term credit by way of bank borrowings available to the company is taken at about 70% of the stock of raw materials, consumables stores and finished goods and 50% of receivables. It would be advisable to consult the unit's bankers in this regard. The difference between the actual working capital requirements and bank credit available is added to the project cost as margin required for working capital. The working capital requirements of the project are worked out on the basis of its requirement during the first year. It is presumed that increase in working capital requirement in subsequent years would be met out of internal accruals.

Inter-company and Inter-project comparison

As a part of the process of an appraisal of the capital cost of the project, it is also desirable for a lending institution to compare it with the cost of similar projects which have been financed by it or with the information about cost that may be gathered in respect of other units in the industry with comparable installed capacity and other common features.

Means of Financing

The usual sources of finance for a project are as follows:

- Capital
- Term loans
- Deferred payment
- Unsecured loans from promoters
- Internal accruals
- Govt. subsidy

A careful balance has to be struck between debt and equity. A debt-equity ratio of 1:1 is considered ideal but it is relaxed upto 2:1 in suitable cases. Further relaxation in debt-equity is made in case of high cost project. All long-term loans and deferred credit are treated as debt

while equity include free reserves and in case of existing companies with losses, it is arrived at after deducting carry forward losses.

Another important aspect is to ensure reasonable promoter's contribution in the project. The current norm is 20% of project cost with somewhat lower promoter contribution in case of projects promoted by technician entrepreneur. Suitable undertakings are obtained from the main promoters for non-disposal of their shareholdings. Normally the promoter's contribution should be brought in by way of equity capital. However, a portion of it may be raised by means of unsecured loans deposits from relatives and friends in case of need.

If unsecured loans from promoters/directors form an integral part of the means of finance, it is desirable to stipulate a condition that the same shall not be withdrawn during the currency of the loan and shall not carry interest higher than that payable on institutional loans.

It is important that no gap is left in financing pattern. Otherwise, it will result in delay in implementation of the project. It is also important that funds should be available to the project during the implementation as and when needed. A condition is stipulated that the promoters shall arrange for funds to meet any over-run in the cost of the project.

Security and margin

The approach of financial institutions is not security-oriented. The emphasis is on the viability of the project rather than the security cover available for the financial assistance. However, the financial agencies generally stipulate, by way of security, a first legal charge on the fixed assets of the company ranking *pari passu* with the charge, if any, in favour of other term financing institutions. While the margin available in each case is worked out, no special significance is attached to the margin concept. Personal guarantees of promoters/directors as security for loan/deferred payments are not stipulated except in case of closely held companies or partnership or proprietorship.

Financial projections

For the purpose of determining the profitability of the project and the ability of the company to service its loan and give a reasonable return on the equity capital; estimates of cost of production, profitability, cash-flow and projected balance sheets are obtained from the borrower for a period of ten years. These are inter-related and are prepared on the basis of the estimated cost of the project, sources of finance envisaged and various assumptions regarding capacity utilisation, availability of inputs and their price trend, selling price of the end product, etc. The important assumptions looked into are capacity build-up, raw material costs, estimates of wages and salaries, cost of utilities, estimates of administrative expenses, selling prices assumed and provision made for depreciation and statutory taxes. Verification of profitability is the core or proper appraisal of a project. The entrepreneur may be naturally tempted to present a bright picture. It is the task of the appraising officer to verify the figures furnished by the entrepreneur. More checking of arithmetical calculations though not unimportant is not sufficient. The basis of the various figures should be ascertained and verified to ensure that the profits projected are realistic.

In the case of new unit, any sharp build up of capacity within a year or two will be unwarranted more or so if the product is new.

The quantum of raw material and utilities to be put into order to obtain particular quality/quantum of end product is the key to cost of manufacture and this aspect should be carefully checked with reference to the performance guarantees furnished by the collaborators/machinery suppliers. The product-mix is decided based on contribution of each product and plant capacity as well as market.

Wages and salaries should be raised by not less than 5% annually.

Repairs and maintenance will have to be provided keeping in view the type of industry and the number of shifts to be worked. Repairs and maintenance may be lower in the first one/two years it should be gradually stepped up in the later years.

There may be tendency on the part of entrepreneurs to provide somewhat higher amounts for administrative expenses but entrepreneurs should be advised to keep such expenses to the bare minimum during initial years.

Depreciation on various fixed assets should be provided as per income-tax rules.

Financial expenses such as interest on term loans and bank borrowings are provided at contracted rates.

The sale price should be fixed keeping in view the present domestic price of the product envisaged and where possible also export/international price.

The profitability projections are closely linked to the schedule of implementation. The appraising team should carefully assess the implementation schedule and be well certain about it.

Whether feasible, the profit projections are compared with the actual performance of comparable units in the industry. In some cases sensitivity studies are conducted to see that the unit would be able to service its debts and give a reasonable return even under less optimistic conditions.

On the basis of profitability projections cash flow and projected balance-sheets are prepared for a period of ten years. Cash flow statements help in studying availability and use of funds both during implementation and operation. The amortisation programme of term loan is scuttled on the basis of the cash flow. It may be emphasised that while fixing a repayment schedule, the intention should not be to mop up all surplus available with the unit rather adequate amount should be left over with the unit to enable it to pay reasonable dividend and have some cash to take care of contingencies. During the earlier years when the profits are likely to be low, the loan instalments may be for smaller amounts which should be increased in later years when profits increase. An acceptable repayment schedule should give an average DSCR of 2:1 over the entire repayment period irrespective of the minimum and maximum during particular years. It is ensured that the cash position of the company as indicated by the cash flow would be fairly comfortable.

On the basis of above study, the following performance indicators are worked out:

- i) Capital employed/value of output ratio : Indicates the requirement of capital for production.
 - ii) Capital employed/net value : Indicates the requirement of capital added ratio for increasing the national income.
 - iii) Percentage of raw-material to output
 - iv) Percentage of salaries and wages to output
 - v) Percentage of interest to value of output
- } These ratios dictate the comparative importance of raw-material, salaries and wages and interest to the value of output
- vi) Percentage of operating profit to sales : Indicates profitability of sales
 - vii) Percentage of profit after tax to equity : Indicates the earnings on equity capital
 - viii) Investment per worker : Indicates the capital intensity of the project
 - ix) Productivity per worker : Indicates the productivity of the project
 - x) Break-even point :
$$\frac{\text{Fixed \& semi-variable cost}}{\text{sales} - \text{variable cost}} \times 100$$

The main object of the break-even analysis is to determine the lowest production and price level at which the project will cover all its costs.

- xi) Unit cost of production : The unit cost of production is helpful in inter-project comparisons.
- xii) Internal rates of return : Internal rate of return is the rate of discount which equates the present value of capital expenditure on the project to the present value of net cash flow (i.e. difference between gross cash receipts and cash outgo) over the life of the project, normally taken at 15 years. Assuming an annual growth rate of 7% to 8% for industrialisation, projects yielding an IRR of 15% are regarded as support worthy but in the case of priority industries like sugar and textile, a somewhat lower IRR is accepted.

- xiii) Debt-service : This ratio indicates the cash generating capacity of a project to meet its term commitments (both towards principal as well as interest thereon). The ideal ratio is 2:1 but a lower ratio can be accepted on merits.

Sensitivity Analysis

The profitability projections are generally based on single value analysis i.e. only one value is taken into account in respect of selling prices, cost of production, volume of sales, etc. The value taken into consideration is 'most likely'. In sensitivity analysis 'critical' or sensitive elements are identified and their effects analysed by (i) reducing the sale price/sales volume, (ii) increasing the cost of inputs, etc. This tests the viability of the project under worst circumstances. The critical factors could be then scrutinised carefully and an attempt can be made to improve or strengthen the project in respect of the critical factors. Thus if raw material cost or selling price is critical, efforts could be made to enter into a long term firm contract for purchase of raw material or sale of products.

e) Economic Appraisal/Analysis

The profitability parameters and financial projections represent benefit that are likely to accrue to private promoters/various agencies involved in promoting the project including financial institutions, Government etc., which, however, may not be the true benefit to the society/economy. Social cost benefit analysis is a measure of the costs and benefits of a project to the society. The exercise of project appraisal is not accomplished till the proposed project is also viewed from the economy view point involving three basic questions viz. Whether the project is coming up in a priority sector and its implementation is likely to contribute significantly to the development of the sector and economy as a whole; whether the project is likely to contribute to the development of the region and the most importantly whether the outlay on the project in terms of quantities of various scarce resources such as capital, labour, raw materials, managerial ability etc. justifies the social benefits emanating therefrom in terms of output, employment, import substitution, export potential etc.

The priority for financing private sector projects as also public sector undertakings is indicated in the statement of the Govt. of India on industrial policy and as laid down in developmental plans. The Government has been attaching high priority to generating adequate employment opportunities, particularly through the promotion of cottage and small industries. The financial institutions are also supposed to keep in view the employment potential of the project. The scope for offloading of existing low technology processes from large units to small ancillary units is also kept in view. In order to reduce domestic cost and prices, institutions compare domestic cost of production in the proposed projects with international prices of similar products. In making these comparisons, custom duties and subsidies are excluded so that proper appreciation can be made of domestic and international costs/prices. Import substitution and export potential of the projects are also kept in view to conserve valuable foreign resources.

Overall view of the project

A final view on the proposal is taken based on combination of all factors. Weakness or deficiency in a project does not prepare a ground for its rejection but care is taken to initiate suitable action to minimise its impact on the project. In order to overcome/minimise the impact of deficiencies in a project, promoters are advised to revamp the project or taken necessary precautions. Suitable special conditions are stipulated to ensure that these suggestions are implemented. A detailed RISK analysis is done in case of very large or new technology projects.

SWARNJAYANTI GRAM SWAROZGAR YOJANA PROGRAMME (SGSY)

Self Employment through SGSY

Introduction

Anti-poverty Programmes have been a dominant feature of government initiatives in the rural areas. The Programmes have been reviewed and strengthened in the successive years in order to sharpen their focus on reduction of Rural Poverty. The results achieved, in the meanwhile, are worth noting. In percentage terms, rural poverty has reduced from 56.44% of the country's population in 1973-74 to 37.27% in 1993-94. Some States have been more successful in reducing their poverty (rural) during this period. These States are Andhra Pradesh (48.41% to 15.92%), Goa (46.85 % to 5.34%), Gujarat (46.35% to 22.18%), Karnataka (55.14% to 29.88%), Kerala (59.19% to 25.76%), Rajasthan (44.76% to 26.46%), Tamil Nadu (57.43% to 32.48%), and West Bengal (73.16% to 40.80%). However, the cause of concern is that the estimated number of the rural poor is still about 244 million which has led to further review and restructuring of the anti-poverty Programmes. The Swarnjayanti Gram Swarozgar Yojana (SGSY) is the result of such latest review and restructuring of the Programmes. The Swarnjayanti Gram Swarozgar Yojana (SGSY) has been launched with effect from 1.4.1999 as a new Self-employment Programme. With the coming into effect of the SGSY, the earlier Programmes of Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self-Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), the Ganga Kalyan Yojana (GKY) as well as the Million Wells Scheme (MWS) are no longer in operation. The brief details of the Programme are indicated in the following paragraphs

Objective

The objective of the SGSY is to bring the assisted poor families (Swarozgaris) above the Poverty Line by providing them income-generating assets through a mix of Bank Credit and Governmental Subsidy.

Strategy

The SGSY is different from earlier Programmes, in terms of the strategy envisaged for its implementation, and has been conceived as a holistic Programme of self-employment covering all aspects of self-employment, viz., organization of the rural poor in to Self-Help Groups and their capacity building, training, planning of activity clusters, infrastructure build-up and technology and marketing support.

Activity Clusters - Planning and Selection

There are two key aspects of the SGSY, namely, Activity Clusters and the Group Approach. Each Block has to concentrate on 4-5 Key Activities based on local resources, occupational skills of the people and availability of markets so that the Swarozgaris can draw sustainable incomes from their investments. Selection of these activities has to be done with the approval of the Panchayat Samitis at the Block level and District Rural Development Agency/Zilla Parishad at the District level. These Key Activities should preferably be taken up in clusters so that the backward and forward linkages can be effectively established. The SGSY also focuses on organisation of the poor at grassroots level through a process of social mobilisation for poverty eradication.

Social mobilisation enables the poor build their own organisations {Self-Help-Groups (SHGs)} in which, they participate fully and directly and take decisions on all issues that will help them in coming above the Poverty Line. A SHG may consist of 10-20 persons belonging to families below the Poverty Line and a person should not be a member of more than one group. In the case of minor irrigation schemes and in the case of disabled persons, this number may be a minimum of five (5).

Target Group

Below the Poverty Line families in rural areas constitute the target group of the SGSY. Within the target group, special safeguards have been provided to vulnerable sections, by way of reserving 50% benefits for SCs/STs, 40% for women and 3% for disabled persons.

Financial Assistance

Assistance under the SGSY to individual Swarozgaris or Self-Help-Groups, is given in the form of subsidy by the Government and credit by the Banks. Subsidy under the SGSY to individuals is uniform at 30% of the Project Cost subject to a maximum of Rs. 7500. In respect of SCs/STs, the subsidy is 50% of the Project Cost, subject to a maximum of Rs. 10,000. For groups of Swarozgaris, the subsidy is 50% of the cost of the Scheme, subject to a ceiling of Rs. 1.25 lakh. There is no monetary limit on subsidy for irrigation Project; subsidy is back ended.

Funding Pattern

The Swarnjayanti Gram Swarozgar Yojana (SGSY) is financed on 75:25 cost sharing basis between the Centre and the States.

Implementing Agencies

The SGSY is being implemented by the District Rural Development Agencies (DRDAs), with the active involvement of Panchayati Raj Institutions (PRIs), the Banks, the Line Departments and the Non- Government Organisations (NGOs).

Monitoring

A comprehensive system of monitoring has been adopted under the SGSY. The programme is monitored from the Central level down to the grass-roots level. At the Central level, the Central Level Co-ordination Committee (CLCC) monitors and reviews the implementation of the Programme and lays down Policy Guidelines for all aspects related to credit linkages for the SGSY. The Performance Review Committee of the Department of Rural Development also reviews the implementation of the SGSY. At the State level, a State Level Coordination Committee (SLCC) monitors the Programme. In addition, the progress under the SGSY is monitored periodically through Reports and Returns submitted by DRDAs/States. Detailed monitoring formats for reporting progress of the Programme have been circulated to all the DRDAs. Implementation of the Programme is monitored and reviewed through the Project Directors` Workshops and periodic Meetings with the State Secretaries. At the Block/DRDA level, monitoring is done through field visits and physical verification of assets. Efforts are underway to bring all the DRDAs of the country within online networks for smooth flow of information from the Districts to the Centre and the States/UTs.

Salient Features

The salient features of the Swarnjayanti Gram Swarozgar Yojana (SGSY) are given below:

- The Swarnjayanti Gram Swarozgar Yojana aims at establishing a large number of micro enterprises in the rural areas, building upon the potential of the rural poor.
- The SGSY emphasis on the cluster approach for establishing the micro-enterprises. For this, 4-5 Key Activities have to be identified in each Block. The major share of the SGSY assistance has to be in activity clusters.
- The SGSY adopts a Project approach for each Key Activity. Project Reports are to be prepared in respect of each of the identified Key Activities. The Banks and other financial institutions have to be closely associated and involved in preparing these Project Reports, so as to avoid delays in sanctioning of loans and to ensure adequacy of financing.
- The existing infrastructure for the cluster of activities should be reviewed and gaps identified. Critical gaps in investments have to be made up under the SGSY, subject to a ceiling of 20% (25% in the case of North Eastern States) of the total allocation made under the SGSY for each District. This amount is maintained by the DRDAs as 'SGSY - Infrastructure Fund'.
- In the planning of the Key Activities, care has to be taken to ensure that the maximum numbers of Panchayats are covered without jeopardising the quality of the Programme.
- The assisted families may be individuals or groups (Self-Help Groups). The SGSY, however, favours the group approach.
- The Gram Sabha authenticates the list of Below the Poverty Line families identified in the BPL Census. Identification of individual families suitable for each activity is to be made through a participatory process.
- The group approach involves organization of the poor into Self-Help Groups (SHGs) and their capacity building. Efforts have to be made to involve women members in each SHG. Besides, exclusive women groups are also to be formed.

At the level of the Block, at least half of the groups should be exclusively women groups. Group activities are given preference and progressively, majority of the funding should be for Self-Help Groups.

- The SGSY is a credit-cum-subsidy Programme. However, Credit is the critical component of the SGSY, subsidy being a minor and enabling element. Accordingly, the SGSY envisages greater involvement of the Banks. They are to be involved closely in the Planning and preparation of Project Reports, identification of activity clusters, infrastructure planning as well as capacity building and choice of activity of the SHGs, selection of individual Swarozgaris, pre-credit activities and postcredit monitoring including loan recovery.
- The SGSY seeks to promote multiple credit rather than a one-time credit 'injection'. The credit requirements of the Swarozgaris need to be carefully assessed; the Swarozgaris are allowed and, in fact, encouraged to increase credit intake, over the years.
- The SGSY seeks to lay emphasis on skill development through well-designed training courses. Those, who have been sanctioned loans, are to be assessed and given necessary training. The design, duration of training and the training curriculum is tailored to meet the needs of the identified Key Activities. DRDAs are allowed to set apart upto 10% of the SGSY allocation on training. This may be maintained as 'SGSY- Training Fund'.
- The SGSY attempts to ensure upgradation of technology in the identified activity clusters. The technology intervention seeks to add value to the local resources, including processing of the locally available material from natural and other resources for local and nonlocal market.
- The SGSY provides for promotion of marketing of the goods produced by the SGSY Swarozgaris, which involves provision of market intelligence, development of markets and consultancy services, as well as institutional arrangements for marketing of the goods including exports.
- The SGSY is implemented by the DRDAs through the Panchayat Samitis. The process of planning, implementation and monitoring integrate the Banks and other financial institutions, the Panchayati Raj Institutions (PRIs), Non-Government Organisations (NGOs), as well as Technical Institutions in the District.
- 15% of the funds under the SGSY are set apart at the national level to try new initiatives for self-employment of the rural poor through "Special Projects", in conjunction with other Departments or Semi-Government/ International Organisations, which includes initiatives to be taken in individual Districts or across the Districts.

MSME PROMOTION- CLUSTER APPROACH

The Cluster approach for rural industrialisation involves decentralised concentration of activities in certain locations that intends to utilise the resources and skills available in the hinterland. The approach leads to the development growth centres in any region. While the growth centre approach has certain problems for economic development, it is always useful to plan industrial cluster in rural areas.

The plan for rural industrial development is basically a sectoral plan and is determined by inter sectoral and inter regional linkages. The linkages arise in 3 ways:

- 1) Forward linkages arising out of output demand
- 2) Backward linkages arising out of input demand and
- 3) Residual linkages arising out of consumption requirements of its labour forces.

Thus, a meaningful rural industries plan is to be integrated with other sectoral plans by taking into account of the development of other sectors and regions. Apart from sectoral linkages, there are also spatial linkages.

While the setting up of various types of industrial activities, away from the urban centres is a goal to be aspired, experiences gained from implementing different programmes have revealed certain facts and realities, which cannot be ignored:

- 1) There are certain rural areas that are just not suited for promotion of rural industries. A particular area must be at a certain level of development or have some special advantages that can be utilised for industrial development purpose.
- 2) A rural industry promotion programme cannot be undertaken in isolation. The other sectors of economy particularly the agricultural sector must be subject of development efforts.
- 3) The selectivity process must be practised to determine the appropriateness of the type of industries to be promoted as well as type of technology to be utilised. This assessment has lead to the selection of the type of activity that can best prosper under local conditions and is likely to achieve the desired results.
- 4) The target group for rural industries promotion efforts should be the local entrepreneurs themselves. There are now proven techniques available to stimulate local entrepreneurship and to encourage people to identify and take advantages of business opportunities. In the establishment of industrial estates/areas, the provision of land appears to be not a very attractive incentive to the local entrepreneurs. They prefer accessible project sites, which they can effort to buy or rent. Further, the trouble and expenses in commuting from their residences to the industrial area become disincentives to prospective entrepreneurs. Many examples can be cited to this aspect. As a result of which many of the industrial estates in North East Region still laying mostly un-occupied. Therefore other advantages in the industrial estates should be able to offset the above factors.

- 5) The system of sub-contracting to enterprises in the rural areas is a practical way of starting rural enterprises. This serves as a nursery for entrepreneurial training and enables local entrepreneurs to learn the disciplines of business behaviour.

In light of the above, following approaches can be identified:

- a) Industrial plans have to be integrated with other sector plans taking their resources into consideration;
- b) The plans are to be spatially integrated by selecting suitable locations for different types of products;
- c) Rural industries are to be based on strong backward, forward and residual linkages;
- d) Rural industries based on the dominant resources should be planned to form an industrial complex to exploit the local resources fully so that it has a maximum impact on the region.

Keeping all the above in mind, Government of India has launched IID scheme in 1994 and are in various stages of implementation in 32 centres in the country. The industrial development of the rural areas must be based on the utilisation of available resources and the creation of inter industry and industry agriculture linkages. As the first linkage is relatively limited, there is a tremendous scope for industry agriculture linkages for the development of industrial clusters. A general activity linked model is described here in under.

Application of the Model

Let us take for example that paddy is one of the important agricultural resources of the State. Let us analyse the various types of potential paddy based small and medium size industries, which may be established in certain accessible locations. Based on the existing harvesting techniques, stubble of about 2 feet is left in the ground and about 2-4 tonnes of paddy straw can be obtained per acre per harvesting. The amount will be doubled for multiple cropping. Therefore, there is a scope for establishment of Straw Board manufacturing unit.

Husk constitutes about 20% of the weight of paddy grain and it contains about 40% cellulose, 30% lignin and 20% ash. Large heap of rice husk near the rice mill is a common sight. Generally, a small amount of husk is used as fuel by the poorer sections of the people and major portion of the husk is destroyed. Rice husk can be utilised in a number of ways: It may be used in the manufacturing of Furfural. Furfural has many applications in various chemical industries. Similarly, rice husk ash contains nearly 90% of Silica and Silica is essential element for re-enforcing rubber compound and also it has a strong re-enforcing quality for producing hydraulic cement. Again, rice husk also can be used for manufacturing of hard board and as well as soft board. While phenol, formal - dehyde is used as binding agent for hard board, natural rubber latex is used as a binding agent for soft board. Similarly, rice husk can also be used for manufacturing of fuel briquette.

Another important by-product of paddy is rice bran, which may be converted into various products. The rice bran may be processed for manufacturing of salad oil, frying oil, medicated oil and oil for the manufacturing of soap. The deoiled bran can be used as animal feed and fertiliser. Many examples of this kind can be cited. The above approach may popularly be termed as "Root to leaf" approach for development of industrial complexes in rural areas.

The conclusion to be drawn from the above analysis is that there exists potential for the development of small to medium scale agro-based industries, and the promotion of inter industry linkages in a rural/agricultural region. For example, the production of soft board from rice husk requires natural rubber latex, thereby creating a useful linkage between the paddy and the rubber sectors. The soft board industry is in turn linked to the housing and construction sectors. Rice husk when converted to rice husk ash can be utilised in many related industries. The setting up of these chains of industries completes the vital link between agriculture and industry. Furthermore, these industries are small relative to medium-sized industries, requiring a relatively smaller amount of capital investment compared to the high-technology industries found in the more industrialised urban areas. The establishment of these industries will enable the country to save foreign exchange by reducing the dependence on the import of commodities, which can be produced locally; they will also generate more employment opportunities in the rural areas and thereby improve the income level of the rural population.

PRIME MINISTER EMPLOYMENT GENERATION PROGRAMME (PMEGP)

This scheme was first introduced through out the country by the Hon'ble Prime Minister of India on the Independence Day of 1993 and implemented with effect from 2nd October 1993.

Objective

To provide self-employment opportunities in the field of industry, service and business sector to educated unemployed youth.

Who can join

- The individual should be within the age group of 18-35 and relaxation of 10 years is given to SC/ST, Ex-servicemen, women and physically handicapped.
- The family income should not exceed ` 24,000 per annum.
- The individual should have a minimum qualification of 8th standard and those who have undergone technical training certificate course conducted by the government for a minimum period of six months.
- The individual should be continuous resident in the particular district for three years.

Duration

Business & Service: 10 days
Production : 20 days

Programme content:

The inputs cover information, knowledge and skills part of training related to operational aspects of SSI. Topics covered include.

- Effective Business communication.
- Leadership skills.
- Entrepreneurship.
- Managerial Competencies.
- Banking Operations.
- Accounts, Taxation and Labour Laws.
- Sales and Advertisement - Marketing.
- *Production Planning and Control, Purchase, Inventory Control.
- *Storekeeping.
- *Management of SSI.
- Liaison with Financial Institutions and Government Authorities.
- for production only

PMEGP

Sl.No	Parameter	
1.	Age	18 to 35 years for all educated unemployed in the country except in the northeastern region. 18 to 40 years (for all educated unemployed in North east States.) 18 to 45 years (for Scheduled Caste/Scheduled Tribes) Ex-Servicemen, physically handicapped and women.
2.	Educational	8 th passed. Preference will be given to those who have been trained for any trade in Government recognized / approved Institutions for duration of at least six month.
3.	Family Income	Neither the income of the beneficiary along with that of the spouse, nor the income of parents of the beneficiary, shall exceed Rs.24, 000/- p.a. Up to Rs.40, 000/-p.a. for Northeast States.
4.	Residence	Permanent resident of the area for at least 3 years.
5.	Defaulter	Should not be a defaulter to any nationalized bank/financial institution/cooperative bank. Further, a person already assisted under other subsidy linked Government schemes would not be eligible under this scheme.
6.	Activities covered	All economically viable activities including agriculture and allied activities but excluding direct agricultural operations raising Crop, purchase of manure etc.
7.	Project Cost	Rs.1.00 lakh for business sector, Rs.2.00 lakhs for other activities, loan to be of composite nature. If two or more eligible persons join together in a partnership, project upto Rs.10.00 lakhs are covered. Assistance shall be limited to individual admissibility.
8.	Subsidy & Margin Money	Subsidy will be limited to 15% of the project cost subject to ceiling of ` 7,500/- per entrepreneur. Banks will be allowed to take margin money from the entrepreneur varying from 5% to 16.25% of the project cost so as to make the total of the subsidy and the margin money equal to 20% of the project cost.

For North Eastern States:

- ii) Subsidy @ 15% of the project cost subject to a ceiling of ` 15,000/- for northeastern states. Margin money contribution from the entrepreneur may vary from 5% to 12.5% of the project cost so as to make the total of the subsidy and the margin money equal to 20% of the project cost.
9. Collateral No collateral for project upto Rs. 1.00 lakh exemption from collateral in case of partnership project will also be limited to an amount of Rs. 1.00 lakh per person participating in the project.
10. Rate of Interest Normal rate of interest shall be charged and schedule may range between 3 to 7 years after an initial moratorium as may be prescribed.
11. Reservation Preference should be given to weaker sections including women. The scheme envisages 22.5% reservation for SC/ST and 27% for Other Backward Classes (OBCs). In case of SC/ST/OBC candidates are not available, States/UTs Govt. will be competent to consider other categories of candidates under PMRY.
12. Training Each entrepreneur whose loan is sanctioned is provided training as per details given below --
- For industry sector :
Duration : 15-20 working days.
Stipend : Rs. 300/-
Trainer's expenditure : Rs. 700/-
- For service & business sector :
Duration : 7-10 working days.
Stipend: Rs.150/-
Trainer's expenditure: Rs. 350/
13. Implementing Agency The District Industry Centres and the Directorate of Industries are mainly responsible for implementation of the Scheme, along with the banks.

CURRICULUM PLANNING

The process of curriculum planning can be broadly seen as a sequential process of thinking through a series of questions the curriculum planner needs to ask himself/herself. The answer the planner finds to the questions at a given step prepares him/her for the next step and so on. The details of the steps is presented below

Step 1. THE PROBLEM:

What is the problem before the organisation?

If training as intervention aiming at helping people for greater on-the-job must be a problem for the organisation (s). The curriculum planner has, therefore, to proceed from this basic question: It is the organisation facing a problem for which training appears to be the remedy? Is the organisation facing a problem for which training appears to be the remedy? Is the organisation experiencing sub-optimal human performance at some level? What is it? If these questions cannot be clearly answered, or is answered in the negative, the curriculum planner should wait before proceedings to prepare a curriculum plan.

The reliability of the answer to this question needs to be ensured. A wrong answer may lead to designing a curriculum plan that is irrelevant or not designing bone when it is needed. Both can be costly to the organisations concerned. Of critical importance in this respect is the sources of information and methods used in diagnosing the organisation level problems. It is useful often necessary, but more often not sufficient, depend only on the Chief Executive/Senior Managers to understand what causes sub-optimal performance.

Step 2. NEED FOR TRAINING:

Is training an appropriate remedial measure to solve the problem confronting the organisation? To what extent will it help?

Understanding the organisation level problem will help the curriculum planner to analyze the same and decide which of the following types does the sub-optimal performance problem belong to:

- a. Cannot do
- b. Do not do
- c. Both

Sometimes the problem may simply belong to the first category, the people are not performing in the expected way because they do not know how to. The obvious solution to this is training. These are the staple problems for the curriculum planner.

Often, however, the problem, on deeper investigation, may turnout to be one where it cannot be attributed to lack of competencies, rather the problem occurs because people are not doing what they should, although they know fully how to.

If, and only if, the above analysis makes the curriculum planner confident that training interventions can make significant contribution the process of solving to the macro level problems, should be proceed further. These two steps, therefore, can be called precursor steps to the actual curriculum planning process.

Step 3. PROFILE OF THE TARGET GROUP:

What salient characteristics of the potential particulars need to be considered in planning the curriculum? To what extent will it help?

An overwhelming majority of the training programmes fail to take into account the basic distinctive characteristics of adults as learners. The programmes, de facto, become an extension of the school/college curricula: lectures and more lectures. Not surprisingly, even very senior executive participants in such programmes often react in ways not very different from the school/college students, late coming, obsessing, feeling bored, hocking... apart from the understanding of relevant common features of adult learners, the curriculum planner needs also to consider the unique profile of the particular group of potential participants. These may include:

- Age

Is the programme addressed to the young/adult/middle aged/old age?

- Sex:

Is the typical participant group to be all males/females/mixed? Should a particular composition be insisted upon? For what purpose?

- Education:

How homogeneous/heterogeneous is the group expected to be in terms of educational level? Will heterogeneity cause problems in meeting training goals or in choosing training methods / medium of instruction?

- Status/Position in the organisation/society

Though often related to age, it is not always so. Status consideration in training sounds antithetical to avowed principles of training, but these are often real and, unfortunately, unavoidable. If a training intervention is to be aimed at the top executives, it is no use wishing that they ought not to be conscious of their status. The curriculum planner has, therefore, to innovate an approach whereby he is able to effectively intervene without unduly offending the sensibilities of the participants so that learning may not be blocked. Often training interventions may needed to reduce barriers and misunderstandings between different levels in the organisational hierarchy. Obviously, in such case methodologies appropriate to all the levels have to be used.

Step 4. ASSESSMENT OF TRAINING NEEDS:

What do the potential participants need so as to bridge the performance gap?

This indeed is one of the weakest links in the entire curriculum planning in most training programmes; so weak that often one hardly notices it happening. This, however, is the one step that decides whether the training is founded on the solid ground of real needs or up in the cloudy domain of imagination. There can be several ways of collecting information needed for assessing training needs.

The needed information will have to be related to the following:

1. Entry Behaviour

This will help to draw up the behavioural profile of the target group at the time of entry into the training programme. Needless to say, the profile should consist of only such variables of dimensions that are significant; they should be related to the problem sought to be solved through training.

2. Terminal Behaviour

What kind of behaviour we expect: the absence of which is causing the problem? Draw up profile of such behavioural dimensions that will enable one to visualize the end product of training in behavioural terms. To summarise training need emerges from understanding the gaps that exist between Entry and Terminal Behaviours. The curriculum planner needs to identify, prioritize, and list the training needs as a result of this analysis.

Step 5. TITLE:

A name that is attractive and conveys the main aim of the programme

“Call a rose by any name...”but you do need a name none the less... the overall picture of training needs would perhaps help to give an indicative title which possess the qualities of brevity, appeal and adequacy.

Step 6. GENERAL OBJECTIVES:

What does the programme seek to achieve in terms of changes in participants behaviour?

While title would seek to convey in a few words the main aim of the programme, there is need for a more complete statement of what the participants are expected to gain. In most cases, it consists of one, or at the most two sentences indicating what enabling function (s) the training programme seeks to perform in terms of the participant behaviour.

It is obvious that the statement of general objective draws upon the training needs assessed in Step 4. To the extent possible, the statement should reflect what overall competencies the participant is expected to possess as a result of effective participation in the training programme.

Step 7. SPECIFIC OBJECTIVES:

Now would you break the above general objective into specific components?

The general objective is a summative statement. For the practical purposes of serving as a guide for detailed planning and also to work as a yardstick to measure achievements, we need to formulate more specific statements of objectives, each covering a different aspect of the behavioural changes sought to be brought about as a result of the training. Like the general objective, specific objectives also need to be spelt out in terms of the competencies participants are expected to acquire as a result of the training programme.

Step 8. MAJOR CONTENT AREAS:

How would you divide the total coverage of the programme into a few broad themes or topics?

The division of the overall theme or subject coverage is generally done on the basis of commonness, similarity or relatedness of topics, similarity of methodologies or the need for temporal proximity of learning events. The delineation of major content areas often helps in structuring the training programme on a modular pattern.

Step 9. SPECIFIC CONTENTS:

What are the specific topics under each major content area?

Ultimately the total subject coverage needs to be broken down to separate bits that can serve as nuclei for separate sessions or for specific learning activities.

Step 10 SEQENCING OF CONTENTS:

What logical sequence of contents can be worked out that maximizes clarity, efficiency and effectiveness? Are the contents so interrelated that one must follow another to enhance learning?

Besides the obvious sequencing that needs to be maintained between aware, gaining knowledge and acquiring skills in a given area, there may be other considerations for this. The curriculum planner needs to be alert to the needs in this respect and ensure that due importance is given to this.

Step 11. LEARNING OBJECTIVES:

What changes in the participants' behaviour do you want to facilitate in respect of each specific content?

The careful curriculum planner looks at this step as a pivotal one and should do well to pay special attention to it.

A well stated learning objective serves several functions:

1. It clarifies the expectations from a particular training activity. To the trainer, it is often a new insight.
2. It helps the trainer to assess how realistic or otherwise such expectations are.
3. It helps the curriculum planner to adequately brief the concerned faculty member
4. It is of critical importance in deciding upon appropriate training methodology
5. It enables the curriculum planner to finally check whether the curriculum promises to effectively and efficiently meet the goals of the training programme.
6. It serve as an on-going monitoring device to see whether the programme is proceeding on the lines expected; whether and how far can the participants be expected to manifest the desired terminal behaviour at the end of the programme.
7. It also enables the participants to understand what is expected to them and help them to feel committed to do learning experience.

A learning objective is a precise statement through which the curriculum planner tries to answer the question “what will the participant to able to do, (In relation to the specific content for which the learning objective is written), when he completes participating in the related learning activity?”

FORMULATING THE LEARNING OBJECTIVES

What are the qualities of well-written learning objectives? We can identify the following essential features;

1. Action Verb

The learning objectives should contain (mostly they should start with it) an action verb which describes what he is expected to be able to do upon completion of the related learning activity (for example “to drive”)

2. Reference to the Specific subject content:

The learning objective must also indicate specific context or theme within which the action is expected (for example: “to drive a car”).

Between the above two features, choice of an appropriate action verb is more difficult and more essential. The “menu of verb” given in the Annexure may help the curriculum planner find appropriate ones as needed.

While the action verb and content reference may suffice in many cases, often the learning objective needs to include other features as well.

3. Performance standard in measurable terms:

In other words, the expected level of achievement needs to be spelt out. Sometimes it becomes necessary to ask the questions “How well? How accurately? How soon?” etc. (for example: “To drive a car without accidents”).

4. The conditions under which the above performance standard is expected to be attended:

Sometimes, if conditions are not specified, it may be difficult to ascertain whether effective learning has occurred. For example, just to write “To drive a car without accident” may not suffice-for it is quite easy to do so in an open ground at 10 Kmph. When we add the conditions to complete it thus: “To drive a car without accident at average speed of 40 Kmph through the market road at 10.00 am”, the level of driving competence expected of the learner becomes apparent.

It is not difficult to understand that the learning objective in respect of a specific content has significant learning on the questions of the method to be chosen, the time-required facilities needed and cost. The greater the clarity of learning objective, the surer is the curriculum planner and the trainer of the ways and means of achieving the same.

Step 12. SELECTIONS OF TRAINING METHODS:

What alternative training methods are available to achieve the learning objectives?

Which is the best practical choice among the alternative?

The learning objectives, carefully formulated, tells the curriculum planner what he seeks to achieve, where he where he wishes his participants to reach. The logical next step is “How?” The question here is of the ways and means needed to accomplish the objectives.

While most learning objectives permit a variety of training methods, some, by their very nature remain unachievable through some methods. Proper understanding of the potentialities and limitations of different training methods is therefore essential for the curriculum planner to choose the most suited method.

Other considerations in choosing training methods include:

1. Cost:

Some methods are costly; they may require substantial capital/recurring investment in acquiring hardware, creating needed infrastructure, training of personnel etc. While investing on these, the payoff from such investment must be weighed against the other alternative uses of the same fund and benefits thereof. The writer was once asked by the chief of a training institution which brand of CCTV unit should be purchase out of a grant received by the Institute for improving the AV aids. Incidentally, the institute at that time did not possess even reasonably good chalkboard to write on, and was holding classes in big hall that used to be a warehouse.

2. Time:

Time may become a limiting factor because of which a more potent method cannot be used. While some methods are quite flexible in this respect, some are not. One can have a 15-minute lecture on a topic; but a 15-minute case discussion session is a near impossibility.

3. Faculty competence:

Certain methods to be used effectively demand high level of competence on the faculty. Experiential learning methods such as T-group training for example, require years of professional and personal development efforts. Availability of competent internal or external faculty resource may become a critical determinant in choosing a method.

Step 13. SESSIONAL PLANS/COURSE CALENDAR

How much time will be needed to achieve the programme objectives? How do you propose to arrange the learning activities within this time frame?

The learning objectives of the programme have to be achieved with the chosen methodology. In so doing, the curriculum planner has to keep in mind the logical sequence of the contents. For this, the curriculum planner needs to put himself in the shoes of a typical potential and think what sequence will make most sense to him and will help accomplish the desired learning. Avoidance of monotony, physical and mental fatigue, etc., are also important factors to be keeping in mind while deciding upon the sequencing.

Estimating time required:

The estimation of total time can be made in two ways. The total duration of the programme could be estimated by adding the estimated time needed in respect of each learning objective using the training method chosen for it. Alternatively, the curriculum planner may first decide upon a time frame and then proceed to apportion time for different specific contents. Often, however, the figure arrived at through the first process may be much more than what the other practical considerations permit. A compromise has, then to be made between the ideal and the feasible duration of the proposed programme. This may even call for further adjustments in respect of time to be committed to the accomplishment of each learning objective, and because of this influence the choice of methods. In the vent of available time being totally insufficient for a learning objective, the learning objective itself may have to be revised; a learning objective that promised acquisition of skill in using an equipment may have to be confined only to knowing the machine and understanding how it works; a hands-on experience may have to be revised to only a demonstration by the trainer, and so on.

Step 14. TRAINING MATERIALS:

***What materials are to be arranged to effectively implement the total training plan?
(Readings/Classroom equipment/AV Aids & other materials)***

The estimation of training materials of various kinds to be produced or procured is a necessary step. This needs to be looked at both from the point of view of training hardware needed (AV aids and related consumables- OHP sheets, pens, films etc.) to be kept ready for each session and the training software to be prepared (synoptic notes, role briefs, case write-ups, slides, etc) for use in different sessions.

The experienced curriculum planner would also care to make special note of the constraints or special attention to be paid to certain things. These may include reminder to ensure that the AV aids are in working order before the sessions start or that the materials are in proper order if that is critical for a given learning activity.

Step 15. EVALUATION PLAN:

How will you decide whether the programme has succeeded in achieving its objectives?

Setting objectives and evaluating are complementary steps. Without clear cut, unambiguous objectives, evaluation is impossible; on the other hand setting objectives, however carefully done, is futile without appropriate methodology for evaluation is evolved and implemented. The curriculum plan as well as in the execution of the same.

The overall plan of evaluation should indicate the strategy to find out whether /how far the objectives of the programme have been realised.

The curriculum planner also needs to consider the various sources of data and the different points in time when he should collect them. Should evaluation data be obtained only from the participants or from the faculty members as well? Should it be collected during, at the end of the programme or sometime after the conclusion of the programme when the participant has returned to his work place? When doing so, should only the participant himself or his superior and /or colleagues also be asked for the data?

While the details of evaluation plan may be worked out later, the curriculum plan document needs to indicate at least the overall plan of evaluation in terms of when, what, how, by whom and for what purpose.

Step 16. MONITORING & FOLLOW UP PLAN:

What arrangements are needed for providing the further support that the participants may need after the training is over?

If the curriculum planner has followed the first four steps with vigor, more often than not he will find that the macro-level problems need a confluence of training and non-training interventions. On further examination, it may also become apparent that several actions are needed after the training programme to effectively help solve the problems.

Supplementary Activities:

Some of the post-training activities needed are supplementary to the training inputs; these enable the participant to effectively transfer his learning to the work situation. These could be in the form of further readings, exercises, distance learning services of the training institutions etc.

Complementary Activities:

The other kind of activities could be seen as complementary. These refer to the creation and provision of facilities needed in his work situation to effectively practice the new ways of behaviour. These could be material facilities like new machines, or administrative actions like alterations in the structure, greater delegation of authority, etc., without which the participant

cannot possibly hope to effectively carry out the tentative decisions he had made to utilize his learning for the training programme.

Some of the follow-up activities can be predicted right in the beginning; many others have to be assessed through systematic monitoring of the participant's after the training programme. Wherever possible, therefore, suitable arrangements need to be evolved to obtain reliable data on post-training needs of the participants.

Step 17. RESOURCE REQUIREMENT-THE BUDGET:

What financial resources are needed to carry out the plan?

This last step is needed not only to practically carry out the programme, but also to workout the cost and benefits from the programme. To the extent possible, it should be self sufficient in helping the administrators to get full idea of the budget needed for each expenditure as well as such costs those are to be shown as "book adjustments".

GUIDELINES FOR CONDUCT, CONTENT and DURATION OF EAPs

ENTREPRENEURSHIP AWARENESS PROGRAMME (EAP):

With a view to expose students as well as faculty of academic institutions, offering degree/diploma courses in Technical Disciplines, to entrepreneurship as an alternative career, Entrepreneurship Awareness Programmes (EAPs) are conducted by Nodal Agencies in each State/Union Territory of the country. The implementing agency is usually either an educational institution or a professional body specializing in entrepreneurship development.

Each Camp, of 3 days duration, is conducted in the premises of an academic institution and aims at creating awareness among students about various facets of entrepreneurship while highlighting the merits of pursuing such a career option. In each EAP, about 80 students are exposed to different aspects of entrepreneurship, including opportunity guidance, services offered by agencies of support system etc. A visit to the industries located in the region is also encouraged to bring the students in direct touch with practicing entrepreneurs.

GUIDELINES FOR CONDUCTING ENTREPRENEURSHIP AWARENESS CAMPS (EAPs) IN EDUCATIONAL INSTITUTIONS

Programme Objective:

To create awareness among faculty and students of Engineering and Science courses about various facets of entrepreneurship as an alternative career option as also to highlight the merits of pursuing such an option.

Target Group:

Science and Technology graduates/Diploma holders or those who are doing their final year diploma/degree in engineering/technology/science.

Venue: Within the premises of an academic institution.

Duration: Three days.

Faculty: Experts are mostly drawn from local or nearby institutions including practicing entrepreneurs with educational background in Science and Technology.

In each EAP, on an average 80 students are exposed to different aspects of entrepreneurship including government policies and incentives. A Visit to the industries located in the region is also arranged to bring the students in direct touch with practicing entrepreneurs.

**SUGGESTED SCHEDULE FOR
ENTREPRENEURSHIP AWARENESS PROGRAMME**

Day	Morning	Session		Afternoon	Session
	<i>Session I</i>	<i>Session II</i>		<i>Session III</i>	<i>Session IV</i>
<i>1st</i>	Inauguration- Camp Objective, Entrepreneurship (general concepts only)	Historical background- Indian values vis-a-vis Entrepreneur ship and the present scenario	B R E	Identification of opportunities for entrepreneurs	Mechanism of product selection and technology-assistance from R&D Labs and others on choice of technology etc
<i>2nd</i>	How to start a SSI unit (General concept about the Govt. formalities, rules & regulation, location, and different aspect of an industrial venture.)	Technical and commercial Aspects of SSI unit (General concept only)	A K	Financial aspects of SSI unit including salient features of a project report	Support and financial assistance from Govt. agencies, banks, financial institutions, SFCs and others-securities demanded by FIs/banks etc
<i>3rd</i>	Creativity and business-the man behind the venture –the behavioural scientist’s approach	Communication skills (interacting with people) for better results		Lectures by practicing entrepreneur's success stories-common problems faced by entrepreneurs	Discussion with participants for their reactions about the Camp.(Including factory visit)

INDEX

Sl. No.	Contents	Page
1.	Entrepreneurship	1
2.	The Myths of Entrepreneurship	4
3.	Entrepreneurship And Entrepreneur	7
4.	MSME Act, 2006	11
5.	Institutional Support For MSMEs in India	26
6.	Small Industry Development Organisation (SIDO)	27
7.	National Small Industries Corporation Ltd (NSIC)	32
8.	Small Industries Development Bank of India (SIDBI)	37
9.	Entrepreneur Motivation Training	43
10.	Micro Lab	43
11.	Thematic Apperception Test (TAT)	46
12.	Ring-Toss Exercise	54
13.	Achievement Planning	58
14.	Project Formulation and Preparation of Feasibility Report	61
15.	Proforma for Project Report	66
16.	Project Appraisal	69
17.	Methodology	71
18.	Swarnjayanti Gram Swarozgar Yojana Programme (SGSY)	91
19.	MSME Promotion- Cluster Approach	95
20.	Prime Minister Employment Generation Programme (PMEGP)	98
21.	Curriculum Planning	101
22.	Guidelines for Conduct, Content and Duration of EAPs	111

Training of Trainers in Entrepreneurship Development

READING MATERIAL

School of Entrepreneurship and Extension



National Institute for Micro, Small and Medium Enterprises
(An organisation of the Ministry of MSME, Govt. of India)
Yousufguda, Hyderabad – 500 045

ni-msme - the premier Institute

ni-msme, the pioneer institute in the field of MSME, is playing a major role in providing pro-business environment to foster the progress of MSMEs towards success and prosperity. The raison detre of this Institute is to assist the Government in formulating policies for small enterprises and to help the practising and potential entrepreneurs through a host of services like research, consultancy, information, training, education and extension. The Institute is a training ground for senior technocrats, bureaucrats and bankers who come here to gain expertise and knowledge in order to equip themselves with latest practices and streamline their operations.

Set up in 1960, **ni-msme** has made valuable contributions by creating an impressive record of achievements beyond the Indian shores, enabling other developing countries to get the benefit of the Institute's facilities and expertise. **ni-msme's** activities are changing from time to time to meet the needs of industries in the context of globalisation.

Located in a sprawling and enthralling campus amidst a rich natural setting, **ni-msme** is well equipped with both physical and academic infrastructure. In keeping with the changing times and technological changes, the Institute has updated its style of functioning by focusing on the use of IT in every aspect of its activities, at the same time retaining the wisdom and advantages of deeply ingrained traditional practices. The Institute through its SENDOC stores and supplies information that helps make a successful entrepreneur who is well versed in the intricacies of business, and can participate in business activities intelligently and diligently.

ni-msme has made many significant contributions to enterprise promotion both nationally and internationally. **ni-msme's** outstanding contributions include Preparation of Directories of Small Enterprises of Excellence (1985), Preparation of video films on progress of IID centres (1995), Project Appraisal and Evaluation CAPE (1996), EDP for Rationalised Employees in State and Central PSUs (1998), Trade Related Development Programme for Women (TREAD) (2000), Child Labour Eradication Programme (ILO) (2001), Cluster Development Programmes (2003), Re-Engineering the Activities of DICs (REDIC) (2004), Management Development Programmes for Executive Trainees of NMDC (2005), Executive Development Programmes for the North-East (DoNER) (2006), Orientation for MSME Development for IAS personnel (2007), Orientation Programme on Cluster Development for Officials of Central/State Governments, Financial Institutions and Banks (2007), National Workshop on MSME Cluster Development (2008), Capacity Building Programmes for Principals and Senior Faculty Members of ITIs (DGE&T) (2008), National Conference on Women Entrepreneurship and Innovation (2009), Workshop on Skill Development for Unemployed Youth (2009), Workshop on Empowerment of Women through Rural Enterprises and Marketing Strategies for SHG Micro Enterprises, Port Blair (2009), Customised Programmes for the Officials of ULBs (sponsored by the Ministry of Housing and Urban Poverty Alleviation, Govt. of India) (2009-10), Faculty Development Programmes for DST (2009-10), EDPs in Food Processing (2010), Programmes for the officials of the Department of Employment and Self-Employment, Govt. of Maharashtra (2010) and EDPs / ESDPs / ToTs, Sponsored by the Ministry of MSME, Govt. of India, under the *Scheme for Assistance to Training Institutions*.

NRCD (National Resource Centre for Cluster Development), Intellectual Property Facilitation Centre for MSMEs (IPFC), and Resource Centre for Traditional Paintings for Handicrafts (RCTP) add a new dimension to the already existing operations of **ni-msme**. The CRR programmes, meant to encourage starting up self-employment ventures, have been designed to inculcate self-confidence among the rationalised employees. The Institute has contributed several research and consultancy services in MSME area, apart from training. The management of the Institute rests with the Governing Council appointed by the Government of India. The governing body acts through the Director General.

For further details, please contact



The Registrar

National Institute for Micro, Small and Medium Enterprises (ni-msme) (Formerly nisiet)

(An Organisation of the Ministry of MSME, Govt. of India)

Yousufguda, Hyderabad - 500 045, India

Tel: 91-40-23608544 – 46, Fax: 91-40-23608547, 23608956, www.nimsme.org, E-mail: registrar@ nimsme.org