

TNPSC GROUP II MAIN

UNIT – III

SOCIO ECONOMIC ISSUES IN INDIA/ TAMIL NADU

PREMANDATORY 2 – SOCIAL ISSUES

SCHOOL BOOK SOURCE

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Employment In India And Tamil Nadu

Introduction

You know the basic needs of every human being are food, clothes and shelter. In the present world, one more essential need has to be added in this list. That is employment. To survive in the world, we all need employment to earn money. Those who are engaged in economic activities, in whatever capacity- high or low - are called employees. People who employ these workers and pay rewards for their work are called the employers.

Labour force of the economy is the number of people in the country who work and also capable of working. We take the age group of 15-60 years for the computation of workforce. Persons who are less than 15 years are considered as children, and person who have crossed 60 years of age are excluded as they are not physically fit to undertake productive occupation. If larger percentage of population is accounted by children and old-age persons, then the progress of the country would be very slow as the working force is very small. Besides, the small working force will have to maintain larger non-working force for feeding out of the small national product.

Employment Structure in India

The nature of employment in India is multi-dimensional. Some get employment throughout the year; some others get employed for only a few months in a year. The economy is classified into three sectors: primary or agriculture sector, secondary or industrial sector and tertiary or service sector. The structure of employment denotes the number of workers engaged in different sectors of the economy. Though the occupational pattern varies from one country to another, one can find in Developing countries like India that a large work force will be engaged in primary sector, while a small proportion in secondary and tertiary sectors. Whereas, in well-developed countries, the proportion of workforce engaged in agriculture will be very small and a majority of labour force will be in the industrial and tertiary sectors. Employment has always featured as an important element of development policy in India. Employment growth has increased at an average rate of 2% during the past four decades since 1972-73.

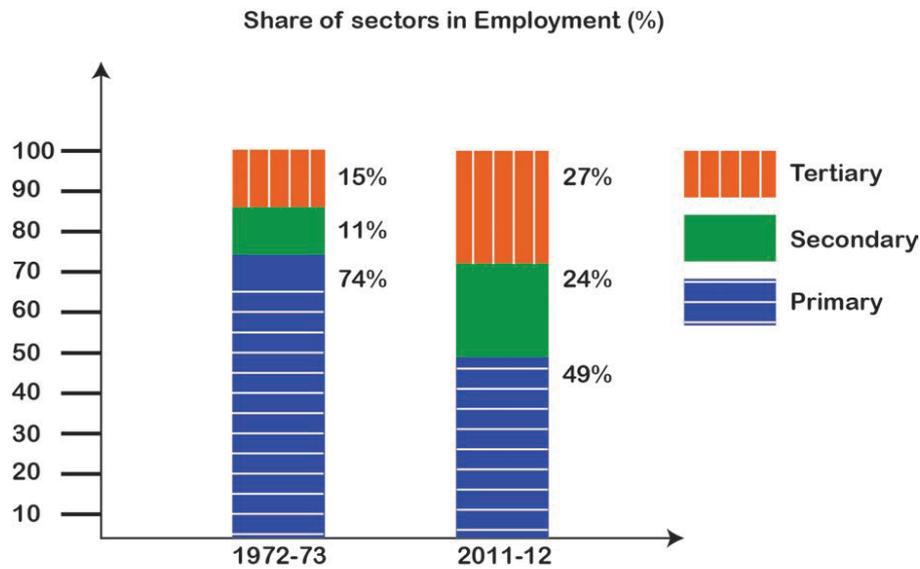
- ✓ **Primary sector:** Agriculture, forestry animal husbandry, poultry, dairy farming, fishing etc.
- ✓ **Secondary sector:** Manufacturing, small and large-scale industries and constructional activities.
- ✓ **Tertiary sector:** Transport, insurance, banking, trade, communication, real estate, government and non-government services.

Types of Employment: Organised and Unorganized Sectors

Organised Sector

The organised sector is one that is incorporated with the appropriate authority or government and follows its rules and regulations. In India employees of central and state governments, banks, railways, insurance, industry and so on can be called as organised sector. This sector works according to certain rules and regulations given in the law. Organised sector has some formal processes and procedures. The employees in this sector are provided with job security and

receive higher wages than those of the unorganised sectors. Organised sector gives good salary, fixed working hours, paid holidays and provides medical allowance and insurance also.



Source: NSSO

Unorganised Sector

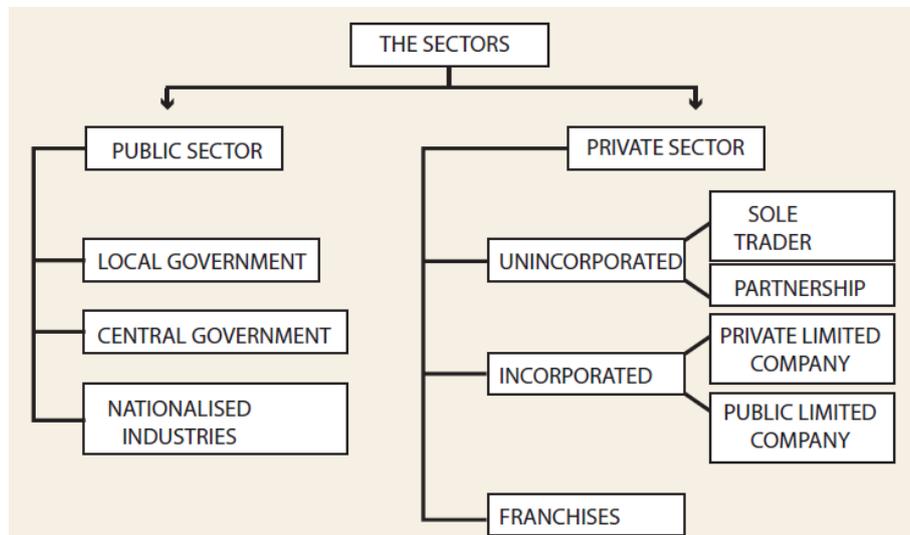
The unorganised sector of the economy characterised by the household manufacturing activity and small-scale industry. Jobs here are low paid and often not regular, mostly, they do not have paid leave, holiday, leave due to sickness and so on. Employment is not secure. When there is no work, people are asked to leave the job. This sector includes a large number of people who are employed on their own doing small jobs such as selling on the street, doing repair work and so on. In the unorganised sector, the employment terms are not fixed and regular. They do not enjoy any special benefits or job security. These enterprises are not registered with the government.

Public Sector	Private Sector
• NLC	• TVS Motors
• SAIL	• Ashok Leyland
• BSNL	• TATA Steel

Public Sector vs Private Sector

Economic activities are classified into public and private sector based on who owns assets and is responsible for the delivery of services.

Differences between the Public Sector and Private Sector	
Public Sector	Private Sector
• Service motive	• Profit motive
• Government owns the assets	• Private individuals own the assets
• Wages are paid by the government	• Wages are paid by the owner of private enterprises.



Employment Pattern

In recent years, there has been a change in the employment pattern and this has helped the employers to develop more flexible working patterns among their employees. The trends are (a) increasing self-employment (b) firms using fewer full-time employees and tending to offer more short-term contracts (c) there has been a growth in part-time employment. This may be due to lifestyle of the people.

Employment in Iruvelpattu: A case study

What is happening in the employment scenario can be understood not only from national or state level, but also from the study of the village economy. Iruvelpattu is one such village in Villupuram district in Tamil Nadu. This village has been studied for more than 100 years by many scholars. This village is also called Slater village as Gilbert Slater was the first scholar working in the University of Madras to go with his students to study this village in 1916. Over the years, many scholars surveyed the occupation of villagers and collected many more details of each person in the village.

It was clearly observed that the government brought social security awareness among the people of the village through primary health care, provision of schools and maintenance of public distribution system. Though this village underwent many changes, it is still dependent on agriculture as the main occupation. Look at the following table or chart. You will notice that during 1981, out of 100 families, 24 were engaged in non-agriculture employment. In 2008, the number of families engaged in such employment increased to 41. During 1981-2008, the proportion of families engaged in agriculture has declined- both as agriculture labourers and as cultivators.

Employment details of households in Iruvelpattu (in%)

Occupation	% of Households	
	1981	2008
Cultivators	42	33
Agricultural labourers	34	26
Non-agricultural labourers	24	41

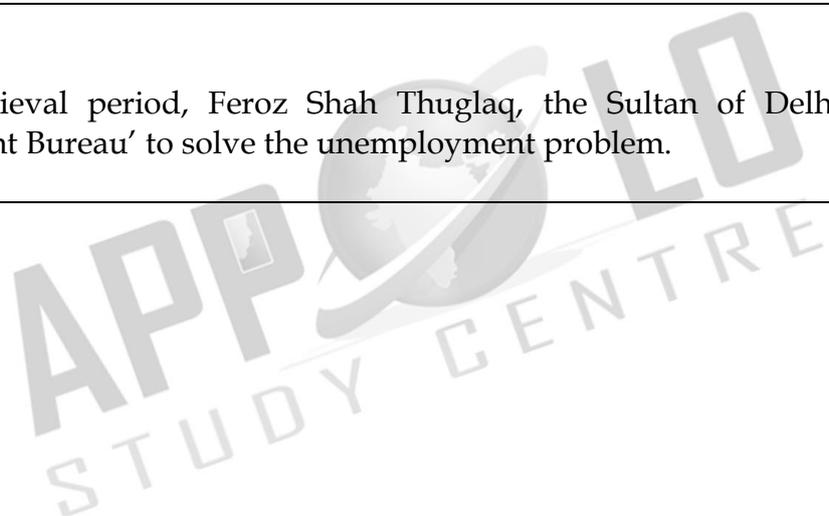
All households	100	100	<table border="1"> <thead> <tr> <th>Year</th> <th>Cultivators</th> <th>Agricultural Labourers</th> <th>Non-Agricultural Labourers</th> </tr> </thead> <tbody> <tr> <td>1981</td> <td>42%</td> <td>34%</td> <td>24%</td> </tr> <tr> <td>2008</td> <td>33%</td> <td>26%</td> <td>41%</td> </tr> </tbody> </table>	Year	Cultivators	Agricultural Labourers	Non-Agricultural Labourers	1981	42%	34%	24%	2008	33%	26%	41%
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Employment Trends in Tamil Nadu

Agriculture, despite a sharp decline in gross domestic product, continues to be the largest employer in Tamil Nadu. This is because the non-agriculture sectors are yet to generate enough employment to affect a shift of labour force. Most of the employment growth in Tamil Nadu has been contributed by the unorganised and informal sectors.

NOTE

- ❖ In the medieval period, Feroz Shah Thuglaq, the Sultan of Delhi, had set up an 'Employment Bureau' to solve the unemployment problem.



Unemployment And Its Types

Unemployment is a problem faced when there are people, who are willing to work and able to work but cannot find suitable jobs.

While formulating policies to solve the problem of unemployment in India for instance, we need to distinguish between the nature of unemployment in rural areas and in urban areas in India. India's rural economy has both unemployment and underemployment. The major feature of rural unemployment is the existence of unemployment in the form of disguised unemployment and seasonal unemployment. In India, frictional, structural and open unemployment exist in urban areas. Due to urbanization, a large number of people move from rural areas to urban areas. This migration from rural to urban areas increases the size of labour force in urban areas and adds to the already unemployed labour force.

Types of unemployment:

In developing countries like India, the nature of unemployment is different from that of developed countries. In developed countries, the unemployment is purely temporary or cyclical or frictional. But in the developing countries, it is largely structural unemployment which is due to slow rate of capital formation.

The following are the types of unemployment.

1. Cyclical Unemployment

This unemployment exists during the downturn phase of trade cycle in the economy. In a business cycle during the period of recession and depression, income and output fall leading to widespread unemployment. It is caused by deficiency of effective demand. Cyclical unemployment can be cured by public investment or expansionary monetary policy.

2. Seasonal Unemployment

This type of unemployment occurs during certain seasons of the year. In agriculture and agro based industries like sugar, production activities are carried out only in some seasons. These industries offer employment only during that season in a year. Therefore people may remain unemployed during the off season. Seasonal unemployment happens from demand side also; for example ice cream industry, holiday resorts etc.

3. Frictional Unemployment (Temporary Unemployment)

Frictional unemployment arises due to imbalance between supply of labour and demand for labour. This is because of immobility of labour, lack of necessary skills, break down of machinery, shortage of raw materials etc. The persons who lose jobs and in search of jobs are also included under frictional unemployment.

4. Educated Unemployment

Sometimes educated people are underemployed or unemployed when qualification does not match the job. Faulty education system, lack of employable skills, mass student turnout and preference for white collar jobs are highly responsible for educated unemployment in India.

5. Technical Unemployment

Modern technology being capital intensive requires less labourers and contributes to technological unemployment. Now a days, invention and innovations lead to the adoption of new techniques there by the existing workers are retrenched. Labour saving devices are responsible for technological unemployment.

6. Structural Unemployment

Structural unemployment is due to drastic change in the structure of the society. Lack of demand for the product or shift in demand to other products cause this type of unemployment. For example rise in demand for mobile phones has adversely affected the demand for cameras, tape recorders etc. So this kind of unemployment results from massive and deep rooted changes in economic structure.

7. Disguised Unemployment

Disguised unemployment occurs when more people are there than what is actually required. Even if some workers are withdrawn, production does not suffer. This type of unemployment is found in agriculture. A person is said to be disguisedly by unemployed if his contribution to output is less than what he can produce by working for normal hours per day. In this situation, marginal productivity of labour is zero or less or negative.

Rural Unemployment

Unemployment is a situation in which a person is actively searching for employment but unable to find work at the prevailing wage rate. It is a tragic waste of manpower and underutilization of human resources. As long as there is unemployment, social problems cannot be stopped; and, economy cannot achieve development.

Peter Diamond, Dale Mortensen and Christopher Pissarides shared 2010 Economics Nobel prize for jobs study. Their model, called DMP model, helps us understand how regulation and economic policies affect unemployment, job vacancies and wages.

As on 4th October 2016, rural unemployment was 7.8 per cent which is less than urban unemployment (10.1 per cent) and all India unemployment rate (8.5 per cent). Rural unemployment in India are categorised into three classes: (i) Open Unemployment (ii) Concealed Unemployment or Under employment and (iii) Seasonal Unemployment. In **Open Unemployment**, unemployed persons are identified as they remain without work. This type of unemployment is found among agricultural labourers, rural artisans and literate persons. In **Concealed Unemployment**, it is difficult to identify who are under employed; for many are employed below their productive capacity and even if they are withdrawn from work the output will not diminish. It is also called Disguised Unemployment or Under employment. This type of unemployment is found among small and marginal farmers, livestock rearers and rural artisans. This kind of unemployment situation is more serious in villages than in urban areas. Disguised unemployment in rural India is 25 per cent to 30 per cent. In **Seasonal Unemployment**, employment occurs only on a particular season supported by natural circumstances and the remaining period of a year the rural people are unemployed or partially employed. In seasons like ploughing, sowing, weeding and harvesting there is scarcity of labour and in the rest of the year there is unemployment. It is pathetic to note that a farmer who cultivates one crop in a year usually goes without a job for almost 5 to 7 months and ultimately commit suicide.

According to the Agricultural Labour Enquiry Committee Report, "the extent of under employment is on the average, 82 days of unemployment in a year for 84 per cent of agricultural labours."

Causes for Rural Unemployment

Causes for rural unemployment in India are discussed below:

1. **Absence of skill development and employment generation:** Lack of Government initiatives to give required training and then to generate employment opportunities.
2. **Seasonal Nature of Agriculture:** Agricultural operations are seasonal in nature and depend much on nature and rainfall. Therefore, the demand for labour becomes negligible during off-season. So, non-farm employment opportunities must be created.
3. **Lack of Subsidiary Occupation:** Rural people are not able to start subsidiary occupations such as poultry, rope making, piggery etc. due to shortages of funds for investment and lack of proper marketing arrangements. This restricts the employment opportunity and rural family incomes. Government must arrange funds for these people. However, as now they pay huge interest to the local money lenders, for they are unable to get loans from formal sources.
4. **Mechanization of Agriculture:** The landlords are the principal source of employment to the farm labour. Mechanization of agricultural operations like ploughing, irrigation, harvesting, threshing etc. reduces employment opportunities for the farm labour.

5. **Capital-Intensive Technology:** The expanding private industrial sector is largely found in urban areas and not creating additional employment opportunities due to the application of capital intensive technologies. Government must establish firms to absorb surplus labour power.
6. **Defective System of Education:** The present system of education has also aggravated the rural unemployment problem. Large number of degree-producing institutions has come in the recent years. Students also want to get degrees only, not any skill. Degrees should be awarded only on the basis of skills acquired. The unemployed youth should get sufficient facilities to update their skills.

Remedies for Rural Unemployment

In order to reduce rural unemployment in the country there is a need to take integrated and coordinated efforts from various levels. A few remedial measures are listed below:

1. **Subsidiary Occupation:** To reduce the seasonal unemployment rural people should be encouraged to adopt subsidiary occupations. Loans should be granted and proper arrangements should be made for marketing their products.
2. **Rural Works Programme:** Rural Works Programme such as construction and maintenance of roads, digging of drains, canals, etc should be planned during off-season to provide gainful employment to the unemployed.
3. **Irrigation Facilities:** Since rainfall is uncertain irrigation facilities should be expanded to enable the farmers to adopt multiple cropping. The increased cropping intensity creates additional demand for labour.
4. **Rural Industrialization:** To provide employment new industries should be set up in rural areas. This will open new fields of employment and also change the attitude of rural people towards work. For this, government has to do something. Private sector would not take up this responsibility.
5. **Technical Education:** Employment oriented courses should be introduced in schools and colleges to enable the literate youth to start their own units.

Self Employment And Entrepreneurship Development

ELEMENTS OF ENTREPRENEURSHIP

The term entrepreneurship denotes the process of setting up one's own business venture as distinct from pursuing any other economic activity or any employment or practicing some profession. The person who establishes business is termed as entrepreneur. The output of an entrepreneurial process ends up in establishing an enterprise. The process of entrepreneurship has been depicted in the following diagram.

Entrepreneurship - Meaning, Concept and Definition

Entrepreneurship generates employment opportunities to many people besides providing self employment to the entrepreneur. Any business venture started triggers a variety of economic activities like purchasing raw material, creating employment opportunities and so on. Thus, entrepreneurship become crucial for overall economic development of a nation.

Entrepreneurship can be regarded as one of the four major factors of production besides the other three namely land, labour and capital. It is generally believed that entrepreneurs are born. But no country or society can afford to wait for the birth of entrepreneurs to pursue its development agendas. The pace of economic development of any country cannot be accelerated without creating a sense of awareness about entrepreneurship among the people. The latter should be made to take a pride in claiming to be a job provider rather than a job seeker. The Government and various other agencies involved in promoting entrepreneurship should carry on the noble task of engendering a spirit of entrepreneurship among the people who otherwise seek job.

Concept of Entrepreneur

The term 'entrepreneur' has been derived from the French language which originally denotes designation of an organiser of musical or other entertainments. Oxford Dictionary (1897) defines an entrepreneur as the director or a manager of a musical institution which organises musical performance. In the early sixteenth Century, the term was applied to refer to those who were engaged in military expeditions. Subsequently, in the seventeenth century it was extended to cover civil engineering activities such as construction and fortification. It was only in the beginning of the eighteenth

century, that the term entrepreneurship was used in the realm of economics. Since then the term entrepreneur is used in many ways and various views about entrepreneur began to surface. Accordingly, entrepreneurs are now broadly classified into three groups namely risk bearer, organiser and innovator.

(i) Entrepreneur as a Risk Bearer

Richard Cantillon, an Irish man described the entrepreneur to be a person who assumes risk inherent in the venture started by him. Entrepreneur acts as an agent combining all factors of production to produce a product or service in order to sell at uncertain price in future. Knight also describes an entrepreneur to be an economic functionary who undertakes the risk of uncertainty which cannot be insured or capitalised or salaried. In nutshell, entrepreneur is described to be a risk taker.

(ii) Entrepreneur as an Organiser

According to Jean Baptize, entrepreneur is one who brings together various factors of production and creates an entity to produce product or service and supervises and coordinates several functions in the process. He further elaborates that an entrepreneur faces a great deal of obstacles and misfortunes and undergoes mental agony and anxieties in the process of organising any venture. In sum, entrepreneur is described to be an organiser.

(iii) Entrepreneur as an Innovator

Joseph A Schumpeter in the year 1934 used innovation as a criterion to define an individual as entrepreneur. According to him, entrepreneur is one who

- i. Introduces a brand new product in the market
- ii. Institutes new technology to produce a product
- iii. Discovers new course of supply of raw materials
- iv. Discovers new product hitherto untapped
- v. Puts in place a new form of organisation by establishing a monopoly or by dismantling existing monopoly.

In all the concept of entrepreneur is intimately connected with three core elements namely risk bearing, organising and innovating.

According to J.A. Schumpeter Joseph A. Schumpeter, "Entrepreneurship is essentially a creative activity. It consists of doing such things as are generally not done in ordinary course of business. An entrepreneur is one who innovates, i.e. carries out new combination or enterprise."

In the words of A.H. Cole, "The purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain or earn profits by production and distribution of economic goods and services."

As per Mary Coulter, "Entrepreneurship is the process whereby an individual or group of individuals use organised efforts to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources the entrepreneur currently has."

Characteristics of Entrepreneur

1. Spirit of Enterprise

Entrepreneur should be bold enough to encounter risk arising from the venture undertaken. Entrepreneur should not get discouraged by setbacks or frustrations emerging during the course of entrepreneurial journey.

2. Self Confidence

Entrepreneur should have a self confidence in order to achieve high goals in the business. The negativities like inconvenience, discomfort, disappointments, rejections, frustrations and so on should not weaken his steely resolve to make the venture a grand success.

3. Flexibility

Entrepreneur should not doggedly stick to decisions in a rigid fashion. Entrepreneur should change the decisions made already in the light of ever-changing business environment.

4. Innovation

Entrepreneur should contribute something new or something unique to meet the changing requirements of customers namely new product, new method of production or distribution, adding new features to the existing product, uncovering a new territory for business, innovating new raw material etc.,

5. Resource Mobilisation

Entrepreneur should have the capability to mobilise both tangible inputs like manpower, money materials, technology, market, method etc., which are scattered over a wide area and certain intangible inputs like motivation, morale and innovativeness cannot be purchased in the market outright. Entrepreneur has to marshal all these tangible and intangible inputs to produce a product successfully. Thus entrepreneurship is a function of gap filling and input completion.

6. Hard work

Entrepreneur should put in strenuous efforts and constant endeavours to accomplish the goals of the venture successfully. They have to courageously face uncertainties, risks and constraints. They should not blame the uncontrollable factors for the misfortunes experienced during the course of their entrepreneurial venture. They should spend their energy in addressing the issues to stay successful.

7. Leadership

Entrepreneur should be able to influence team members by showing sympathy and empathy so as to enable them to contribute positively towards the goals of the venture. Entrepreneur should lead others from the front and by personal example and should walk the talk and effectively take all the followers to activate the goals of the venture.

8. Foresight

Entrepreneur should have a foresight to visualise future business environment. In other words, Entrepreneur should foresee the likely changes to take place in market, consumer attitude, technological developments etc., and take timely actions accordingly.

9. Analytical Ability

Entrepreneurs should not make decisions on the basis of own prejudice or personal likes and dislikes. Entrepreneur should be able to objectively analyse the situation and act accordingly. They should abstain from taking emotional or hasty decisions when they are overwhelmed by emotions.

In simple words

Entrepreneur should take rational decisions after examining the various aspects of a problem.

10. Decision Making

Entrepreneur has to take timely and correct decision with regard to nature and type of product to be produced, type of technology to be adopted, type of human assets to be employed, location of the enterprise, size of the unit, volume of production and so on. The very success of any enterprise hinges on prompt, correct and relevant decisions made by the entrepreneur. Entrepreneur should rationally examine the various factors influencing the decision and take appropriate decisions after giving due weight to all the risks embedded in various factors.

Importance of Entrepreneurship



Entrepreneurship plays a pivotal role in the economic development of a country. The following points highlight the significance of entrepreneurship.

1. Innovation

Entrepreneurship and innovation are closely intertwined with each other. It is no exaggeration to say that innovation cannot happen in any country without entrepreneurship. Entrepreneurs have contributed in no small measure to economic development of any country by innovation. They bring about innovation by building a brand new product or by constantly upgrading existing product or by tapping new market for existing product in a new territory or by inventing a new technology to produce a product or service and so on. All these innovative exercise ensures rise in income and output in the economy.

2. Contribution to Gross Domestic Product (GDP)

Promotion of entrepreneurship all across the country would undoubtedly add to Gross Domestic Product and National Income of a country. It is stated that the countries like America, Japan, Germany and so on have recorded a phenomenal increase in the GDP, per capital income and national income, due to stupendous growth of entrepreneurship.

3. Balanced Regional Development

Encouragement of entrepreneurship in under developed and undeveloped regions of a country through various incentives and concessions is more likely to promote balanced regional development across the country. Besides, essentially it checks the migration of rural population to urban centres in pursuit of employment.

4. Export Promotion

Entrepreneurship helps a country not only earn precious foreign exchange but also preserve it. If entrepreneurship is encouraged to produce export oriented goods, it can significantly add to foreign exchange reserve of a country. Similarly, if entrepreneurship is encouraged to produce products which are usually imported from foreign countries i.e. import substitute goods, it can help the country save precious foreign exchange. The comfortable foreign exchange reserve position is more likely to address the adverse balance of payment position if any.

5. Full utilisation of Latent Resource

Promotion of entrepreneurship across the country leads to better utilisation of economic, human, material and natural resources which would remain otherwise unutilised in a country. In other words, establishment of small, medium and micro enterprises all over the country paves way for harnessing all latent resources in the country.

6. Reduction of Concentration of

Economic Power in Few hands Promotion of entrepreneurship by encouraging small, medium and micro enterprises prevents the concentration of economic power in the hands of few large entrepreneurs. It promotes faster industrialisation and brings about equitable distribution of wealth in the society.

7. Better Standard of Living

Entrepreneurs provide a lot of well being measures to their employees besides paying salaries and wages. This unmistakably helps employees upgrade their standard of living. Some of entrepreneurs who have genuine concern for the welfare of the general public, supply goods of good quality at fair price. This in turn helps consuming public save more money and spends liberally on comfort and convenience goods which are supposed to enhance the standard of living of the general public. Higher standard of living brought about by entrepreneurship narrows down the gap between haves and have nots.

Entrepreneur, Intrapreneur and Manager - a Comparison

Intrapreneur

Intrapreneur is one who thinks and acts like an entrepreneur for the firm's development during the course of employment in an organisation. An Intrapreneur is described to be an inside entrepreneur or an entrepreneur within a large firm who uses entrepreneurial skills without incurring the risk associated with those activities. Intrapreneurs are usually employees of a company who are assigned to a particular project or who are assigned to work on a special idea. Intrapreneur usually use the resources and capabilities of the firm to work on the project or on the idea.

Following are the differences between Entrepreneur and Intrapreneur:

Entrepreneurial Functions



I. Promotional Functions

(1) Discovery of Idea The first and foremost function of entrepreneur is idea generation. A person may conceive his own ideas or develop the ideas contributed by others. Ideas can be generated through several ways like own experience and exposure of entrepreneur, keen observation of environment, education, training, market survey, environmental scanning and so on. After the ideas

were collected, entrepreneur has to weigh objectively each and every idea and finally select an idea which is worth pursuing commercially.

(2) Determining the business objectives

Entrepreneur has to develop business objectives in the backdrop of nature of business and type of business activity i.e. nature of business, manufacturing or trading, type of business organisation chosen so that he/she can organise the venture in accordance with the objectives determined by him/her.

(3) Detailed Investigation

Entrepreneur has to analyze in detail the product proposes to produce. In other words, Entrepreneur should investigate commercial feasibility of the product proposed to be produced and conduct market study to ascertain the potential demand for the product. Besides, Entrepreneur has to probe the sources of supply of various inputs required for manufacturing the proposed product, their respective prices and other terms and conditions.

(4) Choice of form of enterprise

Entrepreneur has to choose the appropriate form of organisation suited to implement the venture. There are various forms of organisation namely sole proprietor, partnership, company and co-operatives etc. which are in existence. The selection of appropriate form of organisation is made after considering the factors like nature of product to be produced, size of investment, nature of activities, size of organisation, nature of liability of owners, retention of control, degree of risk involved, scale of operations, stability and so on.

(5) Fulfilment of the formalities

Having chosen the appropriate type of organisation, entrepreneur has to take necessary steps to establish the form of organization chosen. As regards sole trader, the formalities are barest minimum. In the case of partnership firm, entrepreneur has to arrange for partnership deed and he has to get the deed registered. There are lot of formalities to be fulfilled in the case of registration of company and co-operative form of organisation. Promoter has to take all necessary 000000steps for establishing the form of organisation.

(6) Preparation of Business Plan

Entrepreneur has to prepare a business plan or project report of the venture that he is proposing to take up. This plan helps entrepreneur to achieve various objectives formulated within a specified period of time.

(7) Mobilisation of funds

Entrepreneur has to take steps to mobilise capital needed to implement the venture. Entrepreneur has to estimate the fixed capital and working capital required for running the project. Then the entrepreneur has to initiate steps to build funds from various channels like own funds, borrowing from close circles, banks, financial institutions, venture capitalists, issue of shares and debentures, term loans and so on to finance his fixed capital requirement.

(8) Procurement of Machines and Materials

Entrepreneur has to locate the various sources of supply of machineries and equipments and materials. Entrepreneur has to collect details from the various sources of supply and screen them for selecting the best source of supply.

II. Managerial Functions



(i) Planning

Under planning, entrepreneur has to lay down the objectives, goals, vision, mission, policies, procedures, programmes, budget, schedules etc., for enabling the venture to proceed towards established destinations.

(ii) Organising

Entrepreneur puts in place suitable organisational structure to perform various managerial functions namely choosing the type of organisation, creating department, fitting the human resources to appropriate organisation slots, defining and delegating authority, distributing responsibility and creating accountability for efficient performance of activities.

(iii) Directing

In the realm of directing, entrepreneur has to motivate, lead, guide and communicate with subordinates on an ongoing basis in order to accomplish pre-set goals. The process of directing involves issuing orders and instructions, guiding, counselling and mentoring of employees, supervising employees, maintaining discipline, motivating employees and providing leadership.

(iv) Controlling

Entrepreneur has to put in mechanism to evaluate the performance of employees across the organisation. The various steps involved in control function includes fixing performance standards, measuring the actual performance, comparing actual performance with standards, finding out causes for deviation if any, undertaking corrective measures to bring actual performance to standards set. He/she may use various control techniques like account, auditing, management information system, network analysis, cost control, financial tools etc.,

(v) Coordination

Entrepreneur has to evolve mechanism to pull together the diverse functions performed by various departments or teams and direct them towards the established goals of the organisation for accomplishment.

III. Commercial Functions

(i) Production or Manufacturing

Under production function, entrepreneur has to take decision relating to selection of factory site, design and layout, type of products to be manufactured, research and development, product design etc., The efficient and effective performance of production function depends on the proper production planning and control to a major extent.

(ii) Marketing

Entrepreneur has to carry out following functions pertaining to marketing aspect namely consumer research, product planning and development, standardisation, packaging, pricing, warehousing, distribution, promotion etc., The very success of marketing function is very much linked with selection of appropriate marketing mix. The term marketing mix denotes the combination of four components namely product, price, promotion and physical distribution in the case of physical products and three more components are included in the case of service products namely people, process and physical evidence.

(iii) Accounting

Entrepreneur has to arrange to prepare trading and profit and loss account in order to know the profit or loss incurred out of operation of the business and prepare balance sheet to know the financial status of business at a particular day. Besides, cash flow and fund flow statements are prepared to ensure the adequacy of funds and cash for meeting various working capital needs of the business.

(iv) Finance

In the sphere of financial function, an entrepreneur has to take decisions like choosing the right type of financing, framing the best dividend policy, acquiring of funds, efficiently managing fixed and current assets, maximizing shareholders wealth and investing of funds efficiently and effectively.

(v) Human Resource Management

Entrepreneur has to estimate the manpower needs of the enterprise and accordingly decide the size of manpower required for various slots of organizational structure. After determining the required man power the entrepreneur has to organise the performance of following functions pertaining to human resources namely arranging for recruitment, selecting manpower, induction and training, determining compensation structure and incentives, designing motivation programmes, structuring well being measures for employees, putting in place safety mechanism at work place, performance evaluation and career advancement and structuring social security programmes.



For Own Thinking

After the completion of the academic career, which engagement would you like to opt for after considering the following factors:

Dimension	Salaried Employment	Self Employment
Income	Dependable and probably higher income during the initial stages but limited by promotion opportunities	Fluctuation of income depending upon economic conditions and endeavours of the entrepreneur
Working Hours	Fixed Working Hours	Absolute freedom in choosing the working time.
Job Security	Fixed tenure jobs in respect of public sector appointments and absolute unstable job in private sector appointments.	Stable job till the business is solvent
Financial Risk	There is no financial risk in salaried employment as the employee does not invest in the capital of the employer organisation	There is high degree of risk of losing the investment due to continuous loss.
Personal Satisfaction	An employee may derive job satisfaction. The efforts put in by the employee reward more the employer.	Owner derives a sense of personal satisfaction. In other words, the efforts put in by the owner directly reward him.
Responsibility	The size of responsibility increases as an employee moves up the organisational ladder.	The size of responsibility is always higher to various stakeholders.

Government of India's Support for Innovation And Entrepreneurship In India

The Government of India has undertaken several initiatives and instituted policy measures to foster a culture of innovation and entrepreneurship in the country. Job creation is a foremost challenge facing India. With a significant and unique demographic advantage, India, however, has immense potential to innovate, raise entrepreneurs and create jobs for the benefit of the nation and the world. In the recent years, a wide spectrum of new programmes and opportunities to nurture innovation have been created by the Government of India across a number of sectors namely, Agriculture, Chemicals, and Fertilizers, Finance, Commerce and Industry, Communication and Information Technology, Corporate Affairs, Culture, Food Processing, Housing & Urban Poverty Alleviation, and Science & Technology etc. Financial assistance, insurance, subsidy, training, helps early stage tech start-up and business loans, special incentive is provided to set up new enterprises for entrepreneurs.

India's efforts at Promoting Entrepreneurship and Innovations

1. Startup India:

Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle. Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs. A 'Fund of Funds' has been created to help startups gain access to funding.

2. Make in India:

This scheme is designed to transform India into a global design and manufacturing hub, the Make in India initiative was launched in September 2014. It came as a powerful call to India's citizens and business leaders, and an invitation to potential partners and investors around the world to centralize information about opportunities in India's manufacturing sector. This has in turn helped procure investments, foster innovation, develop skills, protect intellectual property and build best-in class manufacturing infrastructure.

3. Atal Innovation Mission (AIM):

AIM is the Government of India's endeavour to promote a culture of innovation and entrepreneurship, and it serves as a platform for promotion of world-class Innovation Hubs, Grand Challenges, start-up businesses and other self-employment activities, particularly in technology driven areas.

4. Support to Training and Employment Programme for Women (STEP):

STEP was launched by the Government of India's Ministry of Women and Child Development to train women who have access to formal skill training facilities, especially in rural India. The Ministry of Skill Development & Entrepreneurship and NITI (National Institution for Transforming India formally it is called as planning commission) Aayog recently redrafted the Guidelines of the 30-year-old initiative to adapt to present-day needs. The programme imparts skills in several sectors such as agriculture, horticulture, food processing, handlooms, traditional crafts like embroidery, travel and tourism, hospitality, computer and IT services.

5. Jan Dhan-Aadhaar - Mobile (JAM):

JAM, for the first time, is a technological intervention that enables direct transfer of subsidies to intended beneficiaries and, therefore, eliminates all intermediaries and leakages in the system, which has a potential impact on the lives of millions of Indian citizens.

6. Digital India:

The Digital India initiative has been launched to modernize the Indian economy to make all government services available electronically. The initiative aims at transforming India into a digitally-empowered society and knowledge economy with universal access to goods and services.

7. Stand-Up India:

It was launched in 2015, Stand-Up India seeks to leverage institutional credit for the benefit of India's underprivileged. It aims at enabling economic participation of, women entrepreneurs, Scheduled Castes and Scheduled Tribes and share the benefit of Indian growth with the above mentioned categories. Towards this end, at least one woman and one individual from the SC or ST communities is granted loans between Rs.10 lakhs to Rs.1 crore to set up greenfield enterprises in manufacturing, services or the trading sector.

8. Trade related Entrepreneurship Assistance and Development (TREAD):

This scheme envisages to address the critical issues of access to credit among India's underprivileged women, the TREAD programme enables credit availability to interested women through non-governmental organizations (NGOs). As such, women can receive support of registered NGOs in both accessing loan facilities and receiving counselling and training opportunities to kick-start proposed enterprises, in order to provide pathways for women to take up non-farm activities.

9. Pradhan Mantri Kaushal Vikas Yojana (PMKVY):

A flagship initiative of the Ministry of Skill Development and Entrepreneurship (MSDE). This is a Skill Certification initiative which aims to train youth in industry-relevant skills to enhance employment opportunities for livelihood creation and employability.

10. National Skill Development Mission:

This scheme was unveiled in July 2015. The mission aims at building synergies across the sectors in terms of skill training activities. With a vision to build a 'Skilled India' it is designed to expedite decision-making across the sectors to provide skills at scale, without compromising on quality or speed.

11. Science for Equity Empowerment and Development (SEED):

SEED aims to provide opportunities to motivated scientists and field level workers to undertake action-oriented, location specific projects for socio economic gain, particularly in rural areas. SEED emphasizes equity in development, so that the benefits of technology accrue to a vast section of the population, particularly the disadvantaged.

Other Specific Entrepreneurship Schemes

In order to support and strengthen the Start-up culture in India, the Government has launched various schemes in the past few years. They are as follows:

1. Modified Special Incentive Package Scheme (M-SIPS)

The M-SIPS scheme provides capital subsidy of 20% in SEZ and 25% subsidy in non-SEZ for business units engaged in manufacturing of electronics in the fields of the Internet of Things, aeronautics/aerospace and defence, automotive, renewable energy, nonrenewable energy, technology, green technology and nanotechnology.

2. New Gen Innovation and Entrepreneurship Development Centre (New Gen IEDC)

New Gen IEDC provides a limited onetime, non-recurring financial assistance to entrepreneurs up to ₹25 Lakhs in the fields of chemicals, technology\ hardware, healthcare and life sciences, aeronautics/aerospace & defence, agriculture, AI (artificial intelligence), AR/ VR (augmented + virtual reality), automotive, telecommunication and networking, computer vision, construction, design, non-renewable energy, renewable energy, green\ technology, fin-tech, Internet of Things, nanotechnology, social impact, food and beverages, pets and animals, textiles and apparel.

3. Dairy Entrepreneurship Development Scheme

Dairy Entrepreneurship Development Scheme aims at helping entrepreneurs in the field of Agriculture, pets and animals, and social impact to set up small dairy farms and incentives are provided to cover the cost of the required equipment or establishment of the facility.

4. Single Point Registration Scheme (SPRS)

A great scheme for Micro and Small Enterprises, which provides an exemption from payment of Earnest Money Deposit (EMD). Under this scheme, the tenders are issued free of cost.

5. Atal Incubation Centres (AIC)

The Government of India has setup the Atal Innovation Mission (AIM) at NITI Aayog in 2016 with the over arching purpose of promoting a culture of innovation and entrepreneurship in the country. This has been setup to provide high class incubation facilities across various parts of India in terms of capital equipment, operating facilities along with sectoral expert for monitoring start-ups especially in transport. manufacturing health, energy, water, agriculture and construction sectors.

Steps in Promoting an Entrepreneurial Venture.

The various steps involved in starting a venture have been highlighted.

1. Selection of the product

An entrepreneur may select a product according to his aspiration, capacity and motivation after a thorough scrutiny of micro and macro environment of business. He/she may select a brand, new product or may like to select imitation one or he/she may improve upon an existing product in terms of additional features like comforts, convenience, ease of operation, lower price etc. An entrepreneur has to conduct economic viability of the project.

2. Selection of form of ownership

Entrepreneur has to choose the form of organisation suitable and appropriate for his venture namely family ownership, partnership and private limited company. Family ownership and partnership forms of organisation are suited for exercising unified control over the venture while the company form of organisation may be preferred for pooling of more financial resources, managerial and technical skills and business experience for carrying on medium to large venture.

3. Selection of Site

Entrepreneur has to choose suitable plot for accommodating his venture. He has four options open to him for housing his venture.

These have been mentioned below.

- State Development Corporation like SIDCO, SIPCOT, MMDA, TNHB and Directorate of Industries may allot plot to entrepreneur
- Entrepreneur can have a factory sheds constructed by State Industrial Development Agency
- Entrepreneur can start ventures in the land developed by private developers
- Entrepreneur may buy private land and develop it for industrial use.
- Following things may be considered in choosing the site namely:
 - Nearness to Native Place
 - Incentives provided by the Govt.
 - Nearness to Market
 - Availability of Labour and Raw Materials in a particular area.
 - Infrastructure Facilities

4. Designing Capital Structure

Entrepreneur has to determine the source of financé for funding the venture. He/she may mobilise funds from his own savings, loans from friends an relatives, term loans from banks and financial institutions.

5. Acquisition of Manufacturing know-how

Entrepreneur can acquire manufacturing know-how from Government research laboratories, research and development divisions of industries, and individual consultants. At times, main units may supply manufacturing know-how to entrepreneurs starting ancillary units or plant and machinery suppliers may provide this facility to entrepreneurs. Besides, manufacturing know-how can be obtained by foreign technical collaboration.

6. Preparation of project report

Project reports need to be prepared according to the format prescribed in the loan application form of term lending institutions. An entrepreneur can get the report prepared either by technical consultancy organisation or by auditors or by consultants or by development agencies. This report should cover aspects like sources of finance, technical know-how, sources of labour and raw materials, market potential and profitability. The project report should include the following

Technical Feasibility.

It should mention the following

- Description of product specification
- Raw materials availability
- Manufacturing process
- Quality control measures
- Availability of water, power, transport and communication facilities

• Economic Viability

It essentially involves compilation of demand for domestic and export market, installed capacity of machines, market share, revenue expected, and suitable price structure.

Financial Viability

It should cover the aspects like

- Non-recurring cost such as Land and Building, Plant and Machinery etc
- Recurring expenses like wages, salaries, and overheads etc.
- Probable cost of production
- Profit on expected sales

Managerial Competency

Entrepreneur has to include the mechanism for managing the venture in the project report. In the case of small sized ventures, the owner or partners may take care of managerial activities while a team of managerial personnel is to be brought in for manning various managerial positions across different levels of management in the case of corporate form of organisation. He has to provide details of the organizational structure contemplated in the project report for implementing the venture.

Provisional Registration Certificate

Entrepreneur has to apply for Provisional Registration certificate. It will be issued to entrepreneur after the fulfilment of certain conditions for a period of one year subject to renewal of two periods of six months duration. If an entrepreneur is not able to commence production beyond the extension period, further extension will not be granted.

Permanent Registration Certificate

Once the venture has commenced production or when it is ready to commence production, it is eligible to get permanent registration certificate.

Statutory License

Entrepreneur has to obtain Municipal License from the authority concerned. Then the Entrepreneur has to register the unit with the Central and Sales Tax Department. If a unit comes within the provisions of Factories Act, he/she has to register it with Inspector of Factories or it has to register the unit under the Shops and Establishment Act.

- **Power Connection**

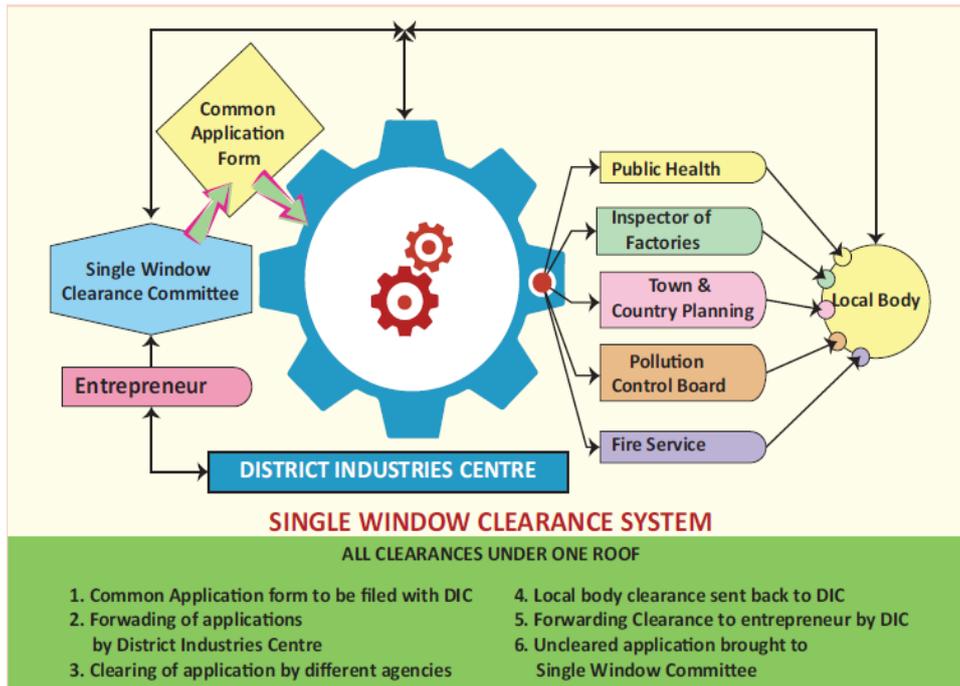
Entrepreneur has to make application to Assistant Divisional Engineer of State Electricity Board for power connection after paying Security Deposit and fulfilling the official formalities prescribed.

- **Arrangement of Finance**

Entrepreneur requires two types of finance namely long term and short term. While longterm requirements are needed for acquiring fixed assets, short-term requirement are meant for meeting working capital needs. Entrepreneur has to bring in promoters contribution (seed capital) prescribed by financing agencies.



Government Of Tamil Nadu – Entrepreneurial Schemes



APP
STUDY CENTRE

Venture Capital Fund

Venture capital fund provides start-up share capital to new ventures of little known, unregistered, risky, young and small private business, especially in technology oriented and knowledge intensive business. Many commercial banks like SBI, Canara Bank, etc. have set up venture capital fund subsidiaries.

Venture Fund Institutions

Venture capital financing is a form of equity financing designed especially for funding new and innovative project ideas. Venture capital funds bring into force the hi-technology projects which are converted into commercial production. Many specialized financial institutions have promoted their own venture capital funds. They include Risk Capital Foundation of IFCI, Venture Fund of IDBI, SIDBI, Technology Development and Infrastructure Corporation of India (TDICI), and others.

