

POLICIES FOR ENTREPRENEURSHIP DEVELOPMENT AND PERFORMANCE OF RURAL INDUSTRIES

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ABSTRACT

Indian population lives mostly in villages. The village is the back bone of the country. Rural industries play an important role in the national economy in the rural development. Along with generating employment opportunities in the rural areas with low capital cost and raising the real income of the people rural entrepreneurship also contributes in the development of agriculture and urban industries. To reduce poverty, migration, economic disparity, unemployment and develop rural areas and backward regions rural entrepreneurship might be one of the perfect solutions.

Keywords: *Policies, Entrepreneurship Development, performance, Rural industries.*

I. INTRODUCTION

The post independent India was left with a Himalayan task in developing its economy in general and especially the Rural Area as 80% of population lives in rural village and poverty was main task to be dealt with. There is significant progress in achieving rural development till last budget after 14 finance commission recommendations. However the result was not very satisfactory. It was observed that in many research only 20% or less than that of 20% of the benefit from the government schemes was reaching the poor and hence the total development of rural people itself was less. As such we can say that there is a need to look in to the history and research why still poverty and, under development and unemployment are existing in most of the parts of the country and especially still in rural villages. Various studies were carried out by eminent people, research scholars and they all contributed to the extent of their specialized filed what so ever they have dealt with.

The history and statistics of rural employment generation by government, NGO and self individual's shows appreciable positive improvement. The Central Government schemes, State Government schemes, NGO'S schemes resulted considerable progress in society in terms of economic development and employment generation. These result was not achieved in few days or few years, In fact the present position of rural

development, employment etc is attained after 7 decades, 14 finance commission many yearly budget. Each budget used to have special note towards rural ministry with enhanced allotment aiming at attainment of goals set by the various central welfare schemes towards employment for poverty.

II. LITERATURE REVIEW

There is extensive research done to understand the effect of entrepreneurship on economic development but there is limited research that looks into the effect of economic development and other measures on entrepreneurship mostly limited to developed economies.

Alfaro (2004) They examines the links between FDI, financial market and growth considering that financial agents either take up entrepreneurial activity or use wealth to get returns by working for company in the FDI sector. Better financial market provides incentive for FDI. They found that FDI plays important role in the economic growth.

Carland and Carland (2004) studied the impact of entrepreneurship on employment and economic development of United States. They found that firms with less than twenty employees have greatest impact for the decade of 1990's. they suggested that the firm has great potential for future economic development. Also, economic policy changes should be specifically to boost entrepreneurship.

Agosin and Machado (2005) assesses the extent of FII in crowding in or crowding out domestic investments with a panel data of three decades for the developing regions of Asia, Africa and Latin America, they found that FDI has nothing to do with domestic investments for sub period and sub areas. With more analysis they found that FDI was found to crowding out domestic investment particularly in Latin America. FDI was found to be unfavorable to crowd in domestic investment.

Wennekers (2005) found a U shaped relationship between entrepreneurial dynamics and level of economic development. They suggested that for advanced countries incentive structure should be improved while developing nation should exploit economies of scale, foster FDI and promote management education.

Naude (2008) Entrepreneurship has important role to play in fostering from a predominantly traditional / agrarian economy to modern economy. With innovation driven growth productivity is increased in advanced countries. self-employment, startup and credit market determine quantity and quality of entrepreneurship. They found that low entrepreneurial activity contribute to economic stagnation and even developmental gap.

III. OBJECTIVES OF THE STUDY

The following are the objectives of the present study:

1. To know the major schemes for entrepreneurship development
2. To study the performance of rural industries.
3. To highlight suggestions based on the inferences drawn.

IV. METHODOLOGY

The present study is based only on secondary data. Analysis is done from the period of 10 year. Data is taken from annual reports of MSME from year 2007-08 to 2016-2017 respectively. Other relevant data were collected from books, journals, website and annual reports.

V. SCHEMES FOR ENTREPRENEURSHIP DEVELOPMENT

The Ministry of MSME runs numerous schemes targeted at a) providing credit and financial assistances b) skill development training, c) infrastructure development, d) marketing assistance, e) technological and quality upgradation and f) Other Services for the MSMEs across the country. A snapshot of all the schemes is provided below:

A. Credit and Financial Assistances to MSMEs

1. Prime Minister's Employment Generation Programme (PMEGP)

The scheme helps to create employment opportunities in rural and urban areas of the country by setting up of new self-employment ventures/ projects/ micro enterprises. Another objective is to provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural / urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas. A third objective is to increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment. The Scheme is implemented by Khadi and Village Industries Commission (KVIC), as the nodal agency at the National level. At the State level, the Scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks. The maximum cost of the project/ unit admissible under manufacturing sector is Rs.25 lakh and under business/service sector is Rs.10 lakh.

2. Credit Linked Capital Subsidy Scheme (CLCSS)

The objective of the Scheme namely "Credit Linked Capital Subsidy Scheme (CLCSS)" for Technology Upgradation of Micro and Small Enterprises is to facilitate technology up-gradation in Micro and Small Enterprises (MSEs) by providing capital subsidy of 15 % (limited to maximum of Rs.15.00 lakhs) on institutional finance availed by them for induction of well-established and improved technology. Maximum

limit of eligible loan for calculation of subsidy under the Scheme is investment in approved plant & machinery upto Rs.1.00 crore for induction of well-established and improved technologies.

3. Credit Guarantee Trust Fund For MSEs (CGTMSE) - Provision of collateral free credit for MSMEs

Guarantees are provided for extending collateral free lending to Micro and Small Enterprises through banks and financial institutions (including NBFCs). The Scheme covers collateral free credit facility (term loan and/ or working capital) extended by eligible lending institutions to new and existing micro and small enterprises up to Rs. 200 lakh per borrowing unit. The guarantee cover provided is up to 75% of the credit facility upto Rs. 50 lakh (85% for loans up to Rs. 5 lakh provided to micro enterprises, 80% for MSEs owned / operated by women and all loans to NER) with a uniform guarantee at 50% of the credit exposure above Rs. 50 lakh and up to Rs. 200 lakh. A composite all in Annual Guarantee Fee of 1.0% p.a. of the credit facility sanctioned (0.75% for credit facility upto Rs. 5 lakh and 0.85% for above Rs. 5 lakh and upto 200 lakh for women, Micro Enterprises and units in NER including Sikkim) is charged.

B. Skill Development and Training

A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE)

The scheme components are : (i) Create a database of technologies available with various Government/ private agencies and set up a Network of Technology Centres for sharing of best practices and experiences; (ii) Develop the required skilled Human Resources necessary for mentoring and handholding the incubatees; (iii) Set up Livelihood Business Incubators (LBI) under National Small Industries Corporation (NSIC), KVIC or Coir Board or any other Institution/agency of GOI/State Govt. (iv) Incubation and Commercialisation of Business Ideas Programme through technical/ research institutes Ministries of GOI and vPartei incubators. (v) Business Accelerator programme for scaling up. (vi) Create a framework for Start-up Promotion through Small Industries Development Bank of India (SIDBI) by using innovative means of finance to enable ideas/innovation & to convert these into commercial enterprises.

C. Infrastructure

1. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The objectives of the scheme is to organize traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability, sustained employment, to enhance marketability of products of such clusters, to equip traditional artisans of the associated clusters with the improved skills, to make provision for common facilities and improved tools and equipment for artisans, to strengthen the cluster governance systems with the active participation of the stakeholders, and to build up

innovative products, improved technologies, advanced processes, market intelligence and new models of public-private partnerships.

2. Scheme for Micro & Small Enterprises Cluster Development Programme (MSE-CDP)

The Ministry has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) and their collectives in the country.

2.1. Objectives of the Scheme -

- i. To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital etc.
- ii. To build capacity of MSEs for common supportive action through formation of self-help groups, consortia, upgradation of association etc.
- iii. To create / upgrade infrastructural facilities in the new / existing industrial areas / clusters of MSEs.
- iv. To set up Common Facility Centres (for testing, training centre, raw material depot, effluent treatment, complementing production processes etc.)

2.2. Major activities:

- i. Funding support for setting up of 'Common Facility Centres (CFC)'.
- ii. Funding support for setting up of 'Common Display Centres (CDC) for Women Entrepreneurs'.
- iii. Funding support for 'Infrastructure Development Projects (new / upgradation)'.

D. Marketing Assistance

Scheme for providing financial assistance to Khadi institutions under MPDA

Government has introduced w.e.f 01.04.2010, a flexible, growth stimulating and artisan oriented Market Development Assistance (MDA) Scheme, in place of the erstwhile system of Rebate. Under MDA, financial assistance is provided to institutions @ 20% of the value of production of khadi and polyvastra, to be shared among artisans, producing institutions and selling institutions in the ratio 40:40:20. MDA provides institutions flexibility to use the assistance for improving the outlets, products and production processes, besides giving incentive to customers, etc. The scheme has been modified as MPDA by amalgamating existing Market Development Assistance on production (Khadi & Poly) Scheme and additional components of Publicity, Marketing and Market promotion (including Export Promotion) & Infrastructure (inclusive of new component of Marketing Complexes/Khadi Plaza) out of VI Grant. Under the Modified MDA

(MMDA), Pricing would be fully de-linked from the cost chart and products can be sold at marketlinked prices at all stages of production. Incentives would be extended to Artisans and Karyakartas.

E. Technology Upgradation and Competiveness

Financial Support to MSMEs in ZED certification

The Ministry of Micro, Small & Medium Enterprises (MSME), Government of India has launched on 18.10.2016 a new scheme 'Financial Support to MSMEs in ZED Certification Scheme', for the benefit of Micro, Small & Medium Enterprises (MSMEs). The scheme will be implemented in 22,222 MSMEs with the total Project Cost of Rs. 491.00 crore. The scheme envisages promotion of Zero Defect and Zero Effect (ZED) manufacturing amongst MSMEs and ZED Assessment for their certification with the objectives like, developing an Ecosystem for Zero Defect manufacturing in MSMEs, promoting adaption of Quality tools / systems and Energy Efficient manufacturing, enabling MSMEs for manufacture of quality products and to encourage MSMEs to upgrade their quality standards in products and processes with adoption of Zero Defect production processes and without impacting the environment, etc.

F. Other Services

National Scheduled Caste and Scheduled Tribe Hub

The Hub provides professional support to SC/ST entrepreneurs to fulfill the obligations under the Central Government Public Procurement Policy for Micro and Small Enterprises Order 2012, adopt applicable business practices and leverage the Stand up India initiatives. The Scheme is implemented through National Small Industries Corporation Ltd. (NSIC).

The National SC/ST Hub carries out the following functions:

- i. Collection, Collation and Dissemination of information regarding SC/ST enterprises and entrepreneurs.
- ii. Capacity building among existing and prospective SC/ST entrepreneurs through skill training and EDPs.
- iii. Vendor Development involving CPSEs, NSIC, MSME-DIs and industry associations including DICCI.
- iv. Promoting participation of SC/ST entrepreneurs in exhibitions and organizing special exhibitions for this purpose.
- v. Mentoring and hand holding support to SC/ST entrepreneurs.

- vi. Working with States as well as other organisations for SC/ST entrepreneurs so that these enterprises can benefit from all of them. vii. Facilitating SC/ST entrepreneurs participating in public procurement, eplatform of DGS&D and monitoring the progress.
- vii. Facilitating credit linkages for SC/ST entrepreneurs. The Guideline of National SC/ ST Hub Scheme is available on the Ministry's Website i.e. www.msme.gov.in.

The "National Scheduled Caste & Scheduled Tribe Hub" has been set up in the National Small Industries Corporation Limited (NSIC), a public sector undertaking which is the implementing agency

VI. GROWTH OF RURAL INDUSTRIES

The performance of the rural industries in respect of production, sales and employment is shown in the following table:

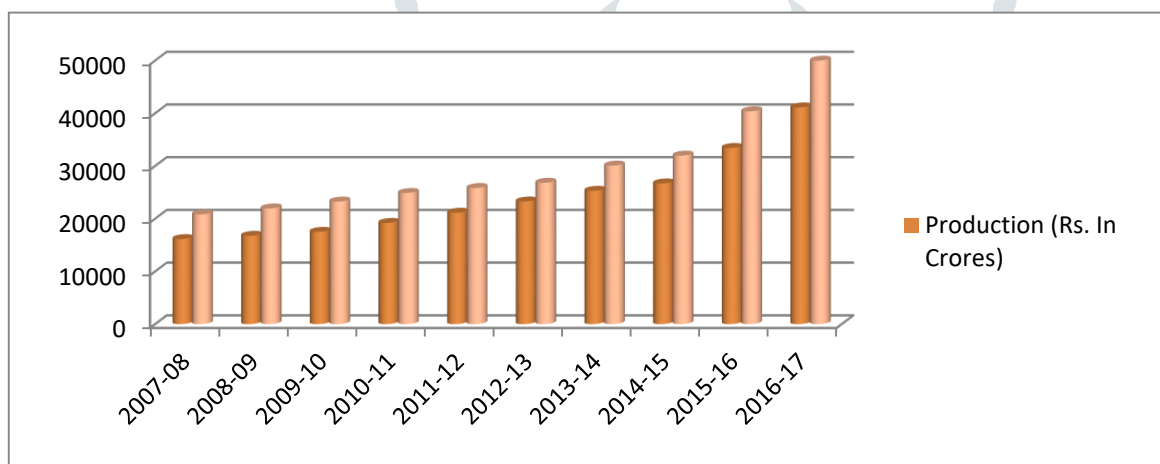
Table 1: Performance of village or rural industries

Year	Production (Rs. In Crores)	Sales (Rs. In Crores)	Cumulative Employment (in lakh persons)
2007-08	16134.32	20819.09	90.11
2008-09	16753.62	21948.59	94.41
2009-10	17508.00	23254.53	98.72
2010-11	19198.85	24875.73	98.72
2011-12	21135.06	25829.26	108.65
2012-13	23262.31	26818.31	114.05
2013-14	25298.00	30073.16	119.40
2014-15	26689.41	31965.52	123.19
2015-16	33424.62	40384.56	126.76
2016-17	41116.26	49991.61	133.23
Mean	24052.045	29596.036	110.724

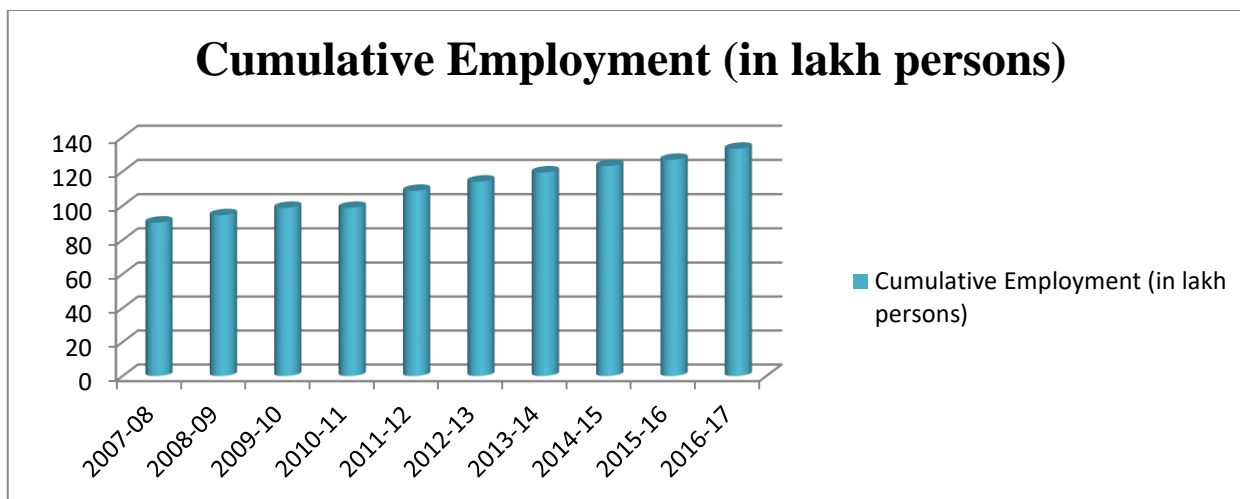
Source: Compiled from various issues of MSME annual reports

The above table reveals the performance of village or rural industries in respect of production, sales and employment in India from 2007-08 to 2016-17. The village industry production was worth Rs 16134.32 crore in 2007-08 which increased step by step to Rs 33424.62 crore in 2015-16. It suddenly increase up to Rs 4116.26 crore in 2016-17. In last 10 years averagely production of village industries Rs 24052.04 crores. The increase in the production of village industry can be attributed to increase in the funds released as a part of budgetary support. Similar trends are also observed in sales of village industries, as it depends on production, market and tastes of the consumers. In last 10 years average sales of village industries is Rs 29596.03 crore. The total cumulative employment in the village industry increased from 90.11 lakh persons in 2007-08 to 133.23 lakh persons in 206-17.

Production and Sales and Employment Performance of Rural Industries



Village industries have shown consistent growth in production and sales over the past 10 years. Production and sales have consistently risen from total production worth Rs. 16134.32crores in 2007-08, the number stood at Rs 41116.26 crore in 2016-17. Similarly, sales of goods produced by village industries have shown growth from Rs.20819.09 crores in 2007-08 to Rs. 49991.61crores in 2016-17. Village industries comprise seven different sectors i.e. Mineral Based Industry, Agro Based & Food Processing Industry, Polymer & Chemical Based Industry, Forest Based Industry, Hand Made Paper & Fibre Industry, Rural Engineering & Bio Technology Industry, SEP/Service Industry.



Village industries have shown consistent growth in employment over the past 10 years. 90.11 lakh persons employed in the village industries in 2007-08 which is increased upto 133.23 lakh persons. In last 10 years 110.72 lakh persons employed in every year at village industries. Rural entrepreneurship generates more output, employment and wealth by exploiting new opportunities, thereby helping to improve the per capita income of rural people.

VII. SUGGESTIONS

- Industrial sheds can be constructed in the rural areas to accommodate rural entrepreneurs and can be provided with all facilities in this shed.
- Rural entrepreneurs have to improve the quality of their products in order to compete with similar other units and also with the large scale industries.
- Industrial co-operatives can be set up on the same lines of Primary agricultural co-operatives in rural areas in order to provide marketing support for the products of rural entrepreneurs and to supply raw materials to the rural industries also to free them from the exploitation of middlemen.

VIII. CONCLUSION

From the study it is concluded that rural industries play an important role in the national economy in the rural development. Along with generating employment opportunities in the rural areas with low capital cost and raising the real income of the people rural entrepreneurship also contributes in the development of agriculture and urban industries. To reduce poverty, migration, economic disparity, unemployment and develop rural areas and backward regions rural entrepreneurship is one of the perfect solutions to adopt.

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