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Department of Employment and Training

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SELF EMPLOYMENT AND ENTREPRENEURSHIP DEVELOPMENT

Introduction:

The persons who engage themselves in an occupation or some business which they start and manage on their own. They put in their best effort and take all types of risks to pursue their careers successfully. The entire earning of their work goes to them. All of us have seen small grocery shops, tailoring shops, medical stores etc. in our locality. These are owned and managed by a person, with or without the help of some assistants. Their economic activities are termed as self-employment. So, when an individual engages in any economic activity and manages it on his own, it is known as self-employment.

IMPORTANCE OF SELF-EMPLOYMENT

Career is a way of making one's livelihood. Self-employment is also a career because one may employ oneself in business or in-service activities and earn one's livelihood. With growing unemployment and lack of adequate job opportunities, self-employment has become very significant.

Its importance can be enumerated as follows.

1. Advantage of small business

Small-scale business has several advantages over large-scale business. It can be easily started, and requires small amount of capital investment. The self-employment involving activities on a small-scale is a good alternative to large scale business which has brought various evils like environmental pollution, development of slums, exploitation of workers, and so on.

2. Preference over wage employment

In self-employment there is no limit of earnings as is the case with wage employment. In self-employment one can use one's talent for own benefit. The decisions can be taken quickly and conveniently. All these factors act as strong motivators for self-employment to be preferred over wage employment.



3. Developing the spirit of entrepreneurship

Entrepreneurship involves taking risks because the entrepreneur tries to innovate new products, new methods of production and marketing. Self-employment, on the other hand, involves either no risk or very little risk. But, as soon as the self-employed person starts becoming innovative and takes steps to expand his business, he becomes an entrepreneur. Therefore, self-employment becomes a launching pad for entrepreneurship.

4. Promotion of individualised services

Self-employment may also take the form of providing individualised services like tailoring, repair work, dispensing of medicines etc. Such services are helpful in providing better consumer satisfaction. These can be easily started and run by individuals.

5. Scope for creativity

It provides opportunity for development of creativity and skills in art and crafts, leading to preservation of the cultural heritage of India. For example, we can see creative ideas reflected in handicrafts, handloom products, etc.

6. Reducing the problem of unemployment

Self-employment provides opportunities of gainful occupation to those who otherwise remain unemployed. Thus, it reduces the problem of unemployment.

7. A boon to under-privileged in respect of higher education

Everyone may not be able to pursue higher education after Secondary or Senior Secondary examination due to one or the other reason. Such persons can start their career as self-employed in occupations that do not require higher education.

It may be noted that self-employment has been given high priority in government policies and programmes. A number of schemes have been initiated all over the country to encourage entrepreneurship and self-employment.

AVENUES OF SELF-EMPLOYMENT

Before choosing a suitable career in self-employment you must have some idea about the avenues in which self-employment opportunities are available. Let us categorise the avenues of self-employment into the following broad areas.

1. Trading;
2. Manufacturing;

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3. Professionals; and
 4. Individualised services.

SMALL BUSINESS

We may define a small business as a business which is actively managed by its owners, operating within the local area and relatively small in size. However, the Government of India has considered the fixed capital investment in plant and machinery as the only criteria to define a small industrial unit in our country.

Upto the year 1958, an industrial unit in which fixed capital investment was less than ₹5 lakh and employing workers of upto 50 if using power, and upto 100 if not using power was considered as a small business. This limit has been changed by the government from time to time. In the year 1960, the employment criterion was dropped. As per the latest changes with effect from 21 December 1999 the investment limit in plant and machinery of small scale sector has been raised upto ₹10 million (one crore). The plants and machinery may be held on ownership basis, on lease or on hire purchase. The limit of rupees one crore is subject to the condition that the unit is **not** owned, controlled or subsidiary of any other industrial undertaking.

TYPES OF SMALL BUSINESS

In India we may be categorised on the basis of investment in fixed capital in plant and machinery or on the basis of nature or place of operation.

Following are some of the main types of small business.

- (a) Small-scale industries
- (b) Tiny industries
- (c) Ancillary industrial undertakings
- (d) Village industries
- (e) Cottage industries
- (f) Micro Business enterprises
- (g) Small- scale Service and Business (industry related)
- (h) Trading units

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- (a) Small-scale Industries:** A small-scale industrial unit is one in which fixed capital investment in plant and machinery does not exceed ₹One crore. In case of certain export promotion units this investment ceiling can be raised upto ₹5 crores.
- (b) Tiny Industries:** A business unit whose total fixed capital investment in plant and machinery does not exceed ₹25 lakhs is called a tiny industry.
- (c) Ancillary Industrial Undertakings:** When a small-scale industry supplies not less than 50% of its production to another industry, it is called as ancillary industrial undertaking. The fixed capital investment limit of ₹One crore also applies to it. If an ancillary unit is owned by some other business unit, it loses its status of small business.
- (d) Village Industries:** A unit that is located in rural area and whose fixed capital investment in plant and machinery does not exceed ₹ 50, 000 per artisan or worker is termed as village industry.
- (e) Cottage Industries:** These are small manufacturing units producing simple products involving some specific art or skill like handicrafts, filigree etc. They use simple equipment's with indigenous technology for production. Cottage industries are carried on wholly or primarily with the help of members of the family either on a whole or part-time basis. These units are not defined by the ceiling of capital of investment.
- (f) Micro Business Enterprises:** The fixed capital investment of in plant and machinery of these enterprises does not exceed rupees one lakh.
- (g) Small-scale Service and Business (Industry related) Enterprises (SSSBE):**
In these businesses the investment limit in fixed assets of plant and machinery does not exceed ₹10 lakhs. The main business enterprises included under this category are – Advertising agency, marketing consultancy, Typing centre, Photo copying centre (Xeroxing), Industrial testing laboratory, Auto repair and garages, laundry and dry cleaning, tailoring, STD/ISD booths, beauty parlor, crèches, etc.
- (h) Trading Units:** These are usually in the form of small retailers found in the market places.



IMPORTANCE OF SMALL BUSINESS IN INDIA

Having discussed the meaning, characteristics and different types of small business let us now look at its importance. Small business enterprises are found everywhere. They play a major role in the socio-economic development of any country. In view of India's scarce capital resource and abundant labour and natural resources, small-scale enterprises have been given an important place in the economic planning of the country. In India small-scale enterprises account for 35% of the gross value of the output in the manufacturing sector, 80% of the total industrial employment and about 45% of the total exports.

Besides these contributions, the importance of small-scale business is increasing day by day due to the following factors.

1. The small business enterprises are capable of generating immediate and large-scale employment opportunities in our country.
2. They require less capital investment as compared to large scale business enterprise.
3. The cost of production is less due to use of local resources and less establishment and running cost.
4. The small industries help in effective mobilisation of the untapped resources of the country. With the help of local resources and indigenous technology, world-class products can be produced by village and cottage industries.
5. Small industries promote balanced regional development of the country. These can be easily set up at the source of resources that leads to overall economic development of that place.
6. The small industries help in improving the national image by exporting quality products to foreign country. The Indian handicrafts, handloom products, filigree, appliqué works have a high demand in international market.
7. Small enterprises help in raising the standard of living of people. The people get employment or can start their own enterprises easily. They get variety of quality products for their daily consumption and use.



GOVERNMENT POLICY TOWARDS SMALL BUSINESS:

The Government of India has given special importance to small business enterprises due their vast potentiality for development of social and economic condition of the country. Several assistance and support are announced from time to time keeping in view the changing economic conditions.

The following are some of such steps taken by the Government for development of small business in India.

1. It provides liberalised credit policy like, less formalities to process the loans and advances, loans at concessional rate, etc.) for small scale industries.
2. To keep away from the competition with large scale industries, the Government of India has reserved about 800 items for exclusive production by small scale industries.
3. It provides concession and exemption in excise and sales tax to the small scale units. The excise exemption has raised from ₹50 lakh to ₹One crore for small industries.
4. The Government also gives preference to the products of small enterprises while purchasing stationery and other item for its own consumption and use.
5. For promotion, financing and development of small-scale industrial enterprises several institutes like Small Industrial Development Bank of India (SIDBI), National bank for Agriculture and Rural Development (NABARD), District Industries Centres (DICs) etc. have been set up by the Government.
6. The Government of India has set up separate Ministry of Micro, Small and Medium Enterprises (<http://msme.gov.in>) for effective planning and monitoring of the development of small business enterprises in the country.
7. To provide benefits of its plans and policies to large number of industries, it has lowered the investment limit from ₹3 crore to ₹One crore.
8. The Government provides capital subsidy of 12 % for investment in technology in select sectors of small-scale business.
9. To encourage total quality management (TQM) the Government provides grant of ₹75,000 to each units that obtains ISO 9000 certification.
10. To provide finance, design and marketing support to handloom sector it has launched the Deendayal Hathkargha Protsahan Yojana.

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11. The Government of India has permitted upto 24 % of total shareholding of small-scale units by other industrial units.
 12. The Government provides land, power and water etc. at concessional rates to small business enterprises.
 13. Special incentives are also provided for setting up of small enterprises in rural and backward areas.
 14. The Government encourages to establish small-scale industry by providing developed land and industrial estates.

INSTITUTIONAL SUPPORT TO SMALL BUSINESS

To start and run a business enterprise one requires various resources and facilities. These may be in the form of technical, financial, marketing or training support. Such support is provided by the Government by establishing different institutions or organisations from time to time.

Let us now learn about some of such intuitions and their role in providing support.

1. National Small Industries Corporation Ltd.:

The National Small Industries Corporation Ltd. (NSIC) was set up in the year 1955 to promote, aid and foster the growth of small industries in India. It provides wide range of promotional services to small-scale industries. It provides machinery to small-scale industries under hire purchase schemes and also on lease basis. It helps in export marketing of the products of small-scale industries. It also helps in development and upgradation of technology and implementation of modernisation programme of small-scale industries.

2. State Small Industries Development Corporations:

The State Small Industries Development Corporations (SSIDCs) are set up in various states of our country to cater to the developmental needs of small, tiny and village industries. Their main functions include procurement and distribution of scarce raw materials, supply of machinery on hire purchase basis, and providing marketing facilities for the products of small-scale industries.

3. National Bank for Agriculture and Rural Development:

The National Bank for Agriculture and Rural Development (NABARD) was set up in 1982 as an apex institution for financing agricultural and rural sectors. It provides

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financial assistance through Regional Rural banks and cooperative banks to agriculture, small-scale, cottage and village industries, handicrafts and other allied activities in rural areas.

4. Small Industries Development Bank of India:

The Small Industries Development Bank of India (SIDBI) was set up in 1990 as a principal financial institution for promotion, financing and development of small-scale industrial enterprises. It acts as an apex institution for all banks providing credit facility to small-scale industries in our country.

5. Small Industries Service Institutions: The Small Industries Service Institutions (SISIs) are set up to provide consultancy and training to small enterprises. These institutions render technical support service and conduct entrepreneurship development programmes. They also provide trade and market information to small-scale industries.

6. District Industries Centres: For promotion of small industries in our countries District Industries Centres (DICs) are set up at district level. They conduct industrial potential survey keeping in view the availability of resources. Their main function includes implementation of various schemes of central and state governments. They appraise the worthiness of various proposals of the entrepreneurs to establish new units, guide them in choosing suitable machinery, equipment and raw materials.

Proposed Scheme on Entrepreneurship Development:

An entrepreneurship development scheme is currently being developed by Ministry of Skill Development and Entrepreneurship. The scheme will be designed around the following major elements:

Educate and equip potential and early stage entrepreneurs across India:

In partnership with experts, a world class entrepreneurship education curriculum will be developed. This curriculum will be delivered to all aspiring entrepreneurs at no cost. Leveraging online learning, entrepreneurship courses can be taken as and when needed by students and business people alike through Massively Open Online Courses (MOOCs).

In addition, entrepreneurship education will be integrated into the mainstream curriculum in 3,000 colleges around India. Entrepreneurship education courses will



also be delivered in approximately 325 industrial clusters across the nation. Through 50 nodal Entrepreneurship Hubs (E-Hubs) set up across all states, existing and potential entrepreneurs will be targeted for entrepreneurship education modules that suit their need.

Connect entrepreneurs to peers, mentors, incubators:

To support young entrepreneurs, a web and mobile based platform connecting the entire entrepreneurial ecosystem will be established. Platform members will access content online, including information on government services and special packages offered by service providers.

The creation of new incubators will be encouraged and a national network of incubators and accelerators established to support young entrepreneurs. A national network of high quality, screened mentors will also be created, leveraging existing networks and successful local entrepreneurs where possible.

Entrepreneurship activities in innovative and cutting edge technology areas will be aligned with initiatives such as Atal Innovation Mission (AIM) and Self Employment Talent Utilisation (SETU).

Support entrepreneurs through Entrepreneurship Hubs (E-Hubs):

Support to entrepreneurs, including coordinated delivery of national and state government entrepreneurship programs and access to enabling resources, a national network of Entrepreneurship Hubs (E-Hubs) will be established. One national, 30 state, 50 Nodal and 3,000 college based E-Hubs will be set up to deliver support. These E-Hubs will, collectively, cover the entire nation.

Catalyse a culture shift to encourage entrepreneurship:

To promote entrepreneurship, state and national level interactions with stakeholders will be convened. International linkages will be established through internship opportunities and exchange trips to global entrepreneurship hubs such as Silicon Valley and Israel. To build awareness, national brand ambassadors will be created to champion entrepreneurial culture in India. Awards will be instituted for young achievers and a National Entrepreneurship Day will be celebrated.



Encourage entrepreneurship among underrepresented groups:

Special focus will be given to the inclusion of scheduled castes & scheduled tribes, minorities, differently abled, etc., and regionally under-represented areas including large part of Eastern and North Eastern India in entrepreneurship programs. Special efforts will also be made to enrol incubators and mentors catering to these groups will in the national entrepreneurial ecosystem.

Promote Entrepreneurship amongst Women:

Focus will also be placed on encouraging women entrepreneurs through appropriate incentives for women owned businesses under the public procurement process. It will also be ensured that gender neutral incubation/ accelerator, network of mentors, industry, resource centres and credit institutes are developed to facilitate Women Entrepreneurs. Priority will be given for mentorship and support system for women entrepreneurs in existing business centres and incubators. Steps will also be taken to assemble gender disaggregated data.

Foster social entrepreneurship and grassroots innovations:

Universities and academic institutions will be encouraged to launch a course on 'Social Entrepreneurship', including through online distance education, to actively promote social entrepreneurship in the country. Additional support, including through fiscal incentives and incubation, will also be considered.

To foster grass-roots innovation, a focus on innovations in hubs, collaborations with organisations such as the National Innovation Foundation and promotion of Intellectual Property Rights will also be encouraged

Self-help group:

Self-help group is a small voluntary association of poor people preferably from the same socio economic back ground. They come together for the purpose of solving their common problems through self-help and mutual help. The SHG promoter's small savings among its members.

◆.....◆ **Features**

A Self-help groups is a village based financial intermediary usually composed of 10 -20 local women. Most self-help groups are located in India, though SHGs can also be found in other countries, especially in south Asia and southeast Asia.

Members make small regular saving contributions over a few months until there is enough capital in the group to being lending. Funds may then be lent back to the members or to others in villages for any purpose.

In India many SHG are linked to banks for the delivery of micro credit and self-help group may be registered or unregistered.

It typically comprises a group of micro entrepreneurs. Self Help groups are started by nongovernmental organisation that generally have broad anti-poverty agendas.

Self-help groups are seen as instruments for a variety of goals including empowering women, developing leadership abilities among poor people, increasing school enrolments and improving nutrition and the use of birth control.

Need of SHG:

The very existence of SHG is highly relevant to make people of below poverty line hopeful and self-reliant.

SHG enable them to increase their income, improve their standard of living and status in society.

It acts as a catalyst for bringing this section of society to the main stream ultimately, the nation reaps the advantages of socialism.

Income generation for poor.

- Access to banks for poor, financial inclusion.
- Against Dowry, Alcoholism etc.
- Pressure group in Gram Panchayats.
- Social Upliftment of marginal sections.
- Upliftment of women

◆.....◆ **Objectives of SHG**

- To inculcate the savings and banking habits among members.
- To secure them from financial, technical and moral strengths.
- To enable availing of loan for productive purposes.
- To gain economic prosperity through loan / credit
- To gain from collective wisdom in organising and managing their own finance and distributing the benefits among themselves.
- To sensitize women of target area for the need of SHG and its relevance in the empowerment.
- To create group feeling among women.
- To enhance the confidence and capabilities of women.
- To develop collective decision making among women.
- To encourage habit of saving among women and facilitate the accumulation of their own capital resource base.

The importance of self-employment in the context of the sustainable development goals – creating jobs, boosting economic growth and innovation, improving social conditions and addressing environmental challenges – has been reinforced by a number of central and state government schemes. In Mumbai, UnLtd India has been working with a number of social entrepreneurs across sectors, who have set up organisations who are promoting self-employment and entrepreneurship in both, rural and urban areas of India.

SHG in Tamil Nadu:1989 Mahalir Thittam

- Mahalir Thittam is a socio-economic empowerment programme for women implemented by Tamil Nadu Corporation for Development of Women Ltd.
- Mahalir Thittam is based on Self Help Group (SHG) approach and is implemented in partnership with Non Governmental Organisations (NGOs) and Community based organizations.
- The SHG approach was started in a small way in Dharmapuri district in the year 1989 with the assistance of International Fund for Agricultural Development (IFAD).

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‘Kudumbashree’

- The ‘Kudumbashree’ SHG was started in 1998 by the CPI (M)-led government in Kerala.
- A part of the People’s Plan Campaign and local self-governance, with women at the centre of it.
- In its conceptualisation, it was markedly different from the self-help group (SHG) movements in many parts of India.
- The credit activities at the grassroots level through the formations of saving groups is a common feature.
- The firms include that for organic vegetable growing, poultry and dairy, catering and tailoring.
- The community farms run by Kudumbashree groups are now acknowledged as a critical avenue for the rejuvenation of agricultural production in Kerala.

Kudumbashree training courses are also quite comprehensive, and include

- Women’s rights
- Knowledge of constitutional and legal provisions
- Training in banking practices
- Training in skills to set up micro-enterprises

Questions:

1. Write a note on needs & objectives of self-help groups in India?
2. Explain how the small business was supported by the government.
3. Describe the importance of small business in India.