

# **Entrepreneurship Development Institute of India**

## **Ahmedabad, Gujarat**

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## **Draft National Entrepreneurship Policy**

### **PREFACE**

Entrepreneurs shape economic destiny of nations by creating wealth and employment, offering products and services, and generating taxes for governments. That is why entrepreneurship has closely been linked to economic growth in the literature on the subject. Entrepreneurs convert ideas into economic opportunities through innovations which are considered to be major source of competitiveness in an increasingly globalising world economy. Therefore, most governments in the world strive to augment supply of competent and globally competitive entrepreneurs in their respective countries. While developed nations have a reasonably good pace of entrepreneurial supply, most developing countries suffer from dearth of such entrepreneurs. This is one of the reasons for the poverty in developing countries, despite their rich resource endowments.

India has been growing at a relatively high rate in the last few years, and is likely to be the largest economy in the world by 2050. Unlike most of the developed economies, India is a young country with about 63 per cent population currently being in the working age group of 15 to 59 years. This is a plus factor in its favour as studies have found that nascent entrepreneurship prevalence rates are highest in the 25-34 age group. But, this demographic dividend could prove to be its albatross if we are not able to engage our youth in creative pursuits through developing appropriate skills, including entrepreneurship skills. As of now, only about 5-6 per cent youth have access to some kind of skills.

The Indian society, by and large, has a distinct preference for service/decent job, that provides economic security and access to power that be. Youth get exposure to this kind of pro-service culture since childhood. They grow up with a job-oriented mind-set, and seldom think of entrepreneurship as a career. Our educational system also rarely exposes the students to entrepreneurship; prepares them for a job instead. Even if someone with a high entrepreneurial aptitude wants to set up a business, she/he is discouraged by a host of adverse factors: lack of adequate access to information on setting up and operating a business, procedural hurdles, lack of start-up funds, lack of adequate networks and mentoring support, difficult access to technology, lack of a supportive system, operational difficulties, and the nightmare about the consequences of failure. These factors loom large



and hinder the emergence of entrepreneurship, in adequate measure. In view of these considerations, the Government of India has decided to formulate a National Entrepreneurship Policy with the overarching aim to augment the supply of entrepreneurs.

The proposed Entrepreneurship Policy, it needs to be clarified, is different from Micro, Small and Medium Enterprise (MSME) Development Policy. While MSME policy focuses on existing enterprises or a group of enterprises (clusters), entrepreneurship policy focuses on individuals with an expectation that they would move towards entrepreneurship. The client in the case of an MSME Policy is a firm, a physical entity, unlike the entrepreneurship policy where it is difficult to pin point the 'target' precisely. The Entrepreneurship Policy encompasses multiple stages in the emergence of an enterprise from pre-start to stabilisation and growth. It usually focuses on motivation, opportunity and skills with the primary objective of encouraging people to venture out. Moreover, while an MSME Policy uses 'hard policy instruments' to directly benefit established firms; entrepreneurship policy uses 'soft' policy measures such as awareness, promotion, skill development, networking and mentoring, and tries to change the mind-set of target group. In short, it aims at making entrepreneurship a movement.

A clarification on the target of the proposed policy is also warranted. For, the strategic paradigm of promoting entrepreneurship may shift, depending upon how one defines the target. It is often argued that while every entrepreneur is self-employed, every self-employed person is not an entrepreneur. By and large, Entrepreneurship Policies across the globe do not regard self-employment as 'entrepreneurship'. Rather, entrepreneurship has some element of innovation and growth potential. Entrepreneurs bring productivity gains through innovations and enhance competitiveness. Entrepreneurship Policy strives to promote and strengthen the requisite competence to this end.

While the above paradigm has merit and will be given due consideration, entrepreneurship policy in a developing country like India, suffering from serious unemployment problem, can hardly ignore self-employed segment of the economy. Not only do these 'necessity based' entrepreneurs eke out their living as an integral part of unorganised/informal sector, they also contribute significantly to GDP and employment. It is estimated that the non-farm unorganised sector accounts for about 89 per cent of the gross value added and almost 98 per cent of employment in MSMEs, of which over 64 per cent units fall in the self-employment category. Government is aware of the fact that due to their informal status, they do not have much access to the Government support umbrella. It is, therefore, necessary to craft an Entrepreneurship Policy which is all inclusive and addresses concerns of self-employed micro entrepreneurs as well as under-represented groups like women, minority communities, SC/ST, other disadvantaged groups.

In view of these considerations, the proposed Policy, though focussing primarily on innovative, nascent, start-up and growth-oriented entrepreneurs, will also address the issues confronting self-employed micro entrepreneurs and under-represented groups with a view to making them more productive, efficient and competitive.



## **1.0 POLICY STATEMENT: BROAD FEATURES**

- 1.1 Most of the studies on the role of entrepreneurship in economic growth suggest that there is a strong relationship between the level of entrepreneurial activities in a region or a country and its rate of economic growth (Carree and Thurik, 1998 and 2002).<sup>1</sup> The Global Entrepreneurship Monitor (GEM) in its report of 2002 also showed that the national level of entrepreneurial activity has a statistically significant association with subsequent level of economic growth. GEM data also suggests that there is no country that has high levels of entrepreneurship and low levels of economic growth (Reynolds et al., 2002, p. 24).<sup>2</sup> In the Indian context also, a study found a similar trend. On the basis of a cross section of data for 17 major states of the country, the study found a positive impact of the Index of Entrepreneurship on per capita income. The regression results indicate that a unit change in the value of the Index of Entrepreneurship will bring Rs. 185.40 change in per capita income. Using a double log function, the study also found that one per cent change in the value of the level of entrepreneurial activity will lead to 0.05 per cent change in per capita income. More interestingly, the study also revealed that average per capita SDP of the states with Index of Entrepreneurship above median is on an average higher by Rs. 6096 compared to the states with lower value of the Index.<sup>3</sup>
- 1.2 The role of entrepreneurship is not confined only to creation of enterprises, but also includes creation of the capacity to produce wealth, jobs and income, which are the most direct indicators of economic development. In fact, underdevelopment is not because of the lack of natural resources but because of the absence or inadequate supply of entrepreneurs. If only natural resources were the key determinant of economic growth, the entire African continent or Latin America or most of Asia would have been developed. Within India, states like Assam, Bihar, Madhya Pradesh, Orissa, etc., would have been leading the growth trajectory of the country. As a

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<sup>1</sup> Carree, M., and A. Roy Thurik (1998). Small Firms and Economic Growth in Europe. *Atlantic Economic Journal* 26 (2): 137–146. And, Carree, M., and A. Roy Thurik (2002), The Impact of Entrepreneurship on Economic Growth, in Zoltan Acs and David B. Audretsch (2003), *International Handbook of Entrepreneurship Research*, Boston/Dordrecht: Kluwer Academic Publishers. A number of studies relating to OECD countries reveal a positive relationship between business start-up rates between 1988 and 1996 and economic growth between 1989 and 1999. Kantis, Hugo, Masahiko Ishida and Masahiko Komori (2002). *Entrepreneurship in Emerging Economies: The Creation and Development of New Firms in Latin America and East Asia*. Washington, DC: Inter-American Development Bank.

<sup>2</sup> Reynolds, Paul D., William D. Bygrave, Erko Autio, Larry W. Cox and Michael Hay (2002). *Global Entrepreneurship Monitor 2002 Executive Report*.

<sup>3</sup> Awasthi, Dinesh, Kashyap, SP and Yagnik, J (2006), *Entrepreneurial Manifestations: Present Trend and Changing Landscape in an Inter-regional Context*, Unpublished Report, New Delhi, Government of India, Ministry of Micro, Small and Medium Enterprises.



matter of fact, economic growth is the outcome of entrepreneurial endeavours. They pool together and organise various factors of production. They explore opportunities, convert ideas into viable business propositions leading to provision of new products and services to society. They change the way we live.

- 1.3 While there always is an autonomous supply of entrepreneurs in all parts of the world, in the developing countries it falls short of the quantity that is necessary to adequately exploit resources to generate wealth and employment. There are also issues pertaining to the quality of entrepreneurs. The quality of whatever little autonomous supply of entrepreneurs these developing countries have is also rather suspect. This is amply reflected in the high (close to 40%) industrial sickness in these countries, including India.
- 1.4 India needs opportunity-driven competent entrepreneurs, who set up sustainable enterprises, create employment, and generate wealth, whereas most entrepreneurs in developing countries are 'necessity driven' 'forced entrepreneurs'. They enter into the realm of business as they have no option to earn their livelihood from any other source. As a result, whenever the economy does well, the size of self-employed category invariably shrinks, as these self-employed 'pseudo' entrepreneurs' move to jobs that provide financial security and decent earning, which, as self-employed, they will seldom earn. The question is; where will this supply of 'opportunity driven' entrepreneurs come from? How will potential entrepreneurs acquire competence and global competitive edge?
- 1.5 Added to this are the burning issues of unemployment and poverty that continue to pose serious challenges to polity and economy of the nation. From where will jobs come if we do not have adequate number of job providers, i.e. entrepreneurs? The role of Government as a job providing sector is likely to diminish over a period of time. Agriculture has limited capacity to provide gainful employment to the teeming millions. Even if we think of diversification in the agricultural sector, farmers will require a different mind-set. They will have to look at agriculture as a business rather than a traditional occupation and merely a source of livelihood. With the advent of WTO, even the agriculture sector will have to be reoriented, revamped, and made entrepreneurial to take advantage of a liberalised world market. Service sector has been emerging as a major source of employment creation. But it also needs entrepreneurs, the drivers of growth.
- 1.6 The need of the hour, therefore, is to augment the supply of well-groomed opportunity and innovation driven entrepreneurs, rather than 'factor' or 'necessity' driven self-employed. We must create job providers in larger numbers rather than job seekers. It will help redress the twin problems viz. unemployment and poverty.
- 1.7 This requires concerted efforts. Youth should start looking at entrepreneurship as a lucrative career. The Government realises that there is a need to 'catch them young'. This requires inculcating entrepreneurial values and skills in them at a young age. This may also require introducing entrepreneurship in the education system. There is



also a need to inculcate entrepreneurial temper in society at large to make all walks of life entrepreneurial, to make India an entrepreneurial nation wherein entrepreneurship becomes a way of thinking, a way of life.

1.8 Though, several initiatives are in place to promote entrepreneurship in the country, the efforts are disjointed. There is a plethora of policies such as Micro, Small and Medium Enterprise Policy, Manufacturing Policy, Competition Policy, Industrial policy, Science and Technology Policy, National Design Policy, etc., that touch upon and have implications for entrepreneurship, directly and indirectly. But the focus on entrepreneurship remains fragmented and devoid of any strategy content. It is argued that there must be a mechanism in place that leads to a high rate of inflow of new entrepreneurs who in turn create new enterprises. The questions being raised are of the quality and quantity of entrepreneurs who could take advantage of the emerging opportunities in the wake of liberalization and globalization of the economies. India unfortunately is deficient on both counts. Across the world, business processes have undergone a sea change in the post liberalisation era. It would be difficult to meet the level of competition with traditional family owned business processes. There is a need to modernise businesses so that they become globally competitive. Entrepreneurship needs to be made a revolution. Therefore, the Government has decided to refocus on promotion of entrepreneurship in the country, in a strategic manner, through a comprehensive 'National Entrepreneurship Policy'.

1.9 Vision:

The vision is: *'To place India in the comity of front ranking entrepreneurial and innovative nations.'*

1.10 Mission:

*The mission of the entrepreneurship policy is; 'To create an eco-system in India wherein opportunity based and innovative entrepreneurship germinates, sustains and grows leading to creation of a more dynamic and 'entrepreneurial economy'.*

1.11 **Objectives of the Entrepreneurship Policy:** The overall objective of the 'National Entrepreneurship Policy' is to create conducive conditions that augment continuous flow and emergence of opportunity driven entrepreneurs. The specific objectives of the Policy are to:

- i. trigger an entrepreneurial culture and inculcate entrepreneurial values in society at large and influence the mind-set of people towards entrepreneurship;
- ii. create awareness about the charms of being an entrepreneur and the process of entrepreneurship, especially among youth;
- iii. encourage more dynamic start-ups by motivating educated youth, scientists and technologists to consider entrepreneurship as a lucrative, preferred and viable career;



- iv. support early phase of entrepreneurship development including the pre-start-up, nascent as well as early post start-up phase and growth enterprises;
- v. broaden the base of entrepreneurial supply by meeting specific needs of under-represented target groups like women, minorities, socially and economically backward communities, scheduled castes and scheduled tribes and under-represented regions to achieve inclusive, balanced and sustainable growth of entrepreneurship in the country;
- vi. facilitate creation of social enterprises to address the needs of the population at the 'bottom of the pyramid';
- vii. ensure adequate availability and flow of information to potential entrepreneurs, eliminate entry and exit barriers, create a business friendly, non-threatening and conducive regulatory and policy environment to reduce administrative burden related to compliances of various kinds; and
- viii. create an eco-system by evolving an institutional framework and organisational structure to achieve the above objectives.

1.12 To achieve the above stated objectives, the Government will follow a multi-pronged strategy:

- (i) Sensitising, Promoting and Igniting Entrepreneurship
- (ii) Creating and Fostering Entrepreneurship
- (iii) Nurturing Entrepreneurship
- (iv) Recognising and Celebrating Entrepreneurship
- (v) Institutionalising the Entrepreneurship Movement

1.13 Based on these broad strategies, specific policy instruments have been conceptualised to achieve the stated goals and the overarching Vision of the Government to '*place India in the comity of front ranking entrepreneurial and innovative nations.*' These instruments which are outlined in greater detail in Part B of the Policy document broadly cover the following areas:

- (i) Promoting entrepreneurship through electronic and print media;
- (ii) Introducing entrepreneurship in the education system at all levels to orient and prepare students for an entrepreneurship career by imparting skills, knowledge and aptitude for entrepreneurship;



- (iii) Placing special focus on introduction of entrepreneurship as a core subject in engineering colleges and other technical institutions to promote technology based enterprises through promoting Incubators; and, creating a system to encourage scientists to commercialise R&D without hampering their IPRs; and bringing industry-academia closer to augment the process of commercialisation of scientific discoveries.
- (iv) Promoting 'inclusive entrepreneurship' by bringing women, minority communities, scheduled caste and scheduled tribes and other under-privileged groups within the ambit of the Policy so that they get their fair share in the Government efforts to promote entrepreneurship. Provisioning business development services and business counselling for these target groups will be ensured, given its importance in promoting and nurturing entrepreneurship;
- (v) Fostering 'Social Entrepreneurship';
- (vi) Promoting an eco-system for accelerating entrepreneurship, enhancing the flow of information on procedures and formalities to set up an enterprise by strengthening the one-stop-shop i.e. single-window system; and, ensuring ease of 'entry and exit';
- (vii) Enhancing access to finance for start-ups, growth enterprises, tech-enterprises and micro entrepreneurs.
- (viii) Recognising entrepreneurial achievements and organising 'Awards', setting up Young Entrepreneurs' Consortium, etc.
- (ix) Creating an organisational structure for advocacy and coordination to promote an 'Entrepreneurship Movement'.

1.14 Through these strategies, an attempt will be made to reduce barriers to entry into entrepreneurship and hasten the pace of entrepreneurial supply. This would mean increased rate of formation of new enterprises which are the major source of innovation, employment and wealth creation. Government realises that such an endeavour could hardly be achieved without strong participation of diverse stakeholders: public sector, private sector, educationists, scientists, bankers, captains of industry, non-government organisations, etc., with the Government, being a key stakeholder, as the coordinator. The Government role, however, would be that of a facilitator, a catalyst and a regulator rather than a controller.



## **2.0 SENSITISING, PROMOTING AND IGNITING ENTREPRENEURSHIP**

2.1 A study on Entry Barriers to Entrepreneurship<sup>4</sup> brought to the fore that one of the major entry barriers to entrepreneurship was disapproval of the family followed by lack of awareness about entrepreneurship and a general belief that it involves a great deal of risk. A business, with uncertainty and insecurity discourages majority of youths from nurturing the ambition of an entrepreneurial career. Because of compulsions and social pressures, they do not wish to risk social security and hence, prefer salaried jobs. Moreover, entrepreneurship is not considered as respectable a career as bureaucracy or other professions like medical, engineering, management – all of which enjoy a better social status, thanks to a biased mind-set. Therefore, the first barrier the policy addresses to remove is the negative mind-set towards entrepreneurship by raising the profile of entrepreneurs in society. In this respect, exposure to role models is likely to have a significant demonstration effect, as their recognition itself is likely to increase social legitimacy of entrepreneurship. It is a common knowledge that, societies that value self-sufficiency, individualism and autonomy; and respect people who accumulate wealth are more predisposed to entrepreneurship. Induced interventions aimed at increasing awareness of entrepreneurship as a lucrative and attractive career for youth, in society, are called for.

### **2.2 Attempt will be made to impart due status to entrepreneurship in society.**

- i. Academic Institutions will be encouraged to develop case-studies on local 'successful entrepreneurs' and use them in the classrooms. They will also be encouraged to publish these stories in local Newspapers.
- ii. The National Book Trust will be involved in preparing inspiring case-studies on nationally impact making, successful entrepreneurs, and publish them for wider dissemination;
- iii. Authors, who are involved in developing children's literature, will be engaged in developing story-line and pictorial biographical series (like Amar Chitra Katha) focussing on overall entrepreneurship theme and real life stories of successful entrepreneurs. Through such literature children will be exposed to Entrepreneurship 'Heroes', who may become their role models;

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<sup>4</sup> Shukla, Sunil and Awasthi, Dinesh (2001), *Study on Entry Barriers to Entrepreneurship*, (Unpublished Report), New Delhi, Government of India, Ministry of Micro, Small and Medium Enterprises



- iv. TV Channels for children like Cartoon Network, POGO, Disney, Nickelodeon, Hungama, etc., will be encouraged to show movies and games focussing on innovation, creativity and entrepreneurship.
- v. Social media has emerged as a very powerful tool of communication among youth. Ways will be explored to use this new age medium to promote entrepreneurship among youth and help them network with likeminded people;
- vi. Radio has a wide reach even in rural areas, particularly the FM Radio which is very popular among youth. To begin with, a 30 minute slot twice a week will be allotted for promotion of entrepreneurship, which will subsequently be raised to a daily programme;
- vii. Media attention to entrepreneurial phenomenon has been observed to be a feature of countries with high rates of entrepreneurial activity. Government will make judicious use of print and electronic media to create mass awareness to raise the profile of entrepreneurship by focussing on charms of being an entrepreneur.
- viii. The impact of television on society could hardly be overstated. Various TV Channels (particularly Business Channels) will be encouraged to host talk shows, entrepreneurship quiz, discussion forums, interactions with young achiever-entrepreneurs, business simulation competition, serials, etc., to facilitate development of entrepreneurial orientation among youth. Besides, the support of Doordarshan, the Government television channel which has the largest coverage, will be sought to promote entrepreneurship by organising similar activities in regional languages;
- ix. In addition, entrepreneurship will be promoted through a number of auxiliary activities like organising 'My Story Sessions' in schools by successful entrepreneurs; celebrating 'Entrepreneurship Week' by organising workshops, seminars, debates, essay writing, idea competition, business plan competition, industry visits, etc.



### **3.0 FOSTERING ENTREPRENEURSHIP THROUGH EDUCATION**

- 3.1 The role of education in shaping the mind-set and thought process of youth can hardly be overstressed. The purpose of exposing the students to entrepreneurship is to motivate them to look at entrepreneurship as a viable, lucrative and preferred career. Two of the key entry barriers to an entrepreneurial career facing students are, according to the 'Study on Entry Barriers to Entrepreneurship' referred to earlier, lack of self-confidence; and, disapproval by main decision-maker in family. Main reasons behind their lack of confidence in choosing an entrepreneurial career are lack of knowledge about business opportunities; ignorance about procedures and formalities in starting and managing a business; and, hesitation in taking risk. However, even though a large number of respondents (about 81%) for this study had no immediate plans to enter an entrepreneurial career, a majority of them (58%) was willing to reconsider their career choice in favour of entrepreneurship, provided adequate counselling and guidance on the process of setting up a business and related regulations, procedures and formalities were made available. But the National Policy on Education (1986) does not mention entrepreneurship even obliquely.
- 3.2 Creating a critical level of growth oriented innovative entrepreneurs depends upon the quality of education and the eco-system that promotes innovation. While education provides the base for innovation and creates a value system; an entrepreneurial culture drives wealth creation and gives further push to innovations. This necessitates proactive policy interventions in favour of entrepreneurship. However, the National Policy on Education (1986) does not mention entrepreneurship even obliquely. To encourage the students to opt for entrepreneurship as a career, the Government will introduce entrepreneurship in the education system at all levels and orient and prepare students for an entrepreneurship career by imparting skills, knowledge and aptitude necessary for successful entrepreneurship journey.

### **3.3 Entrepreneurship Education at Primary School Level**

- 3.3.1 The exposure that children get at their impressionistic age, is engrained in their minds permanently. At this stage, their exposure to entrepreneurship has to be soft pedalled.
- i. At pre-primary stage, children will be made aware of a few leading entrepreneurs through their pictures and brief pictorial depiction of their innovations and achievements.
  - ii. Primary school students will be exposed to activity based learning models on entrepreneurship such as '*Áflatoun Programme*' geared towards inculcating entrepreneurial values and skills among children. (This Programme developed in Mumbai (India), is being replicated in over 80 countries). A few interesting business games will also be introduced at this stage.



- iii. will facilitate holding large number of short duration 'Camps on Entrepreneurship' during summer and winter vacations camps, to expose children to creativity, innovation, excellence and achievement.
- iv. Capacity of primary school teachers will be developed to handle entrepreneurship related teaching and activities.
- v. The Government will coordinate with and encourage state Governments to introduce such innovations in primary education.

### **3.4 Entrepreneurship Education at Secondary and Vocational School Level**

- 3.4.1 Having experienced a flavour of entrepreneurship in primary schools, the students will be exposed to entrepreneurship more intensively at later levels in their educational career. The students now will be oriented towards hard-core entrepreneurship, through teaching and experiential learning.
- i. Short term Entrepreneurship Awareness Programmes and Entrepreneurship Orientation Programmes will be organised periodically in secondary and vocational schools, to expose the students to the concept of entrepreneurship and the emerging opportunities in the field.
  - ii. There are a few internationally acclaimed activity based models like Junior Achievement Programme (running in over 100 countries since the last 45 years or so), geared towards inculcating entrepreneurial values and skills among students. Effort will be made to adapt such models to Indian situation for replication at a large scale in the formal school education, in order to provide the students with the opportunity for experiential learning and getting first hand feel of entrepreneurial behaviour.
  - iii. Entrepreneurship will be made a compulsory subject at the secondary level in all the schools.
  - iv. A curriculum will be specially designed for secondary level and vocational stream students. Inputs on entrepreneurial process will be imparted to them so that those who do not intend to pursue higher studies may start their ventures immediately after passing out. The Government of Gujarat has already introduced such a course in vocational stream with the help of Entrepreneurship Development Institute of India. The experiment will be leveraged and replicated in other states as well.
  - v. Implementing such a strategy also calls for teachers trained in teaching entrepreneurship. Therefore, in the short run, Government will support schools to get their teachers trained in imparting entrepreneurship related inputs by Entrepreneurship Development Organisations. In the long run, Government will introduce Entrepreneurship as a compulsory subject in Teachers Training Colleges.



- vi. Government will also support development of teaching material, cases and text books, videos, etc., for Secondary School students.
- vii. Schools will also be encouraged to facilitate formation of 'Entrepreneurship Clubs', organised and managed by students who could undertake entrepreneurship centric extracurricular activities like quiz, debate, business plan competition, idea competition, lecture series, factory visit, etc.

### **3.5 Promoting Entrepreneurship in Higher Education**

- 3.5.1 Most students make career choices, while pursuing their higher education. Therefore, this is the right stage when they should be oriented towards entrepreneurship as a preferred choice. But the study on entry barriers, referred to earlier has pointed out, the students in the sample were alien to the idea of entrepreneurship and its process, and hence did not consider entrepreneurship as a career choice. A majority of them, however, also opined that if they were exposed to opportunities, procedures and formalities, they would be willing to consider their career in entrepreneurship.
- 3.5.2 However, the present status of entrepreneurship teaching in higher education in India leaves much to be desired. The University Grants Commission (UGC) developed a curriculum for under-graduate level, way back in 2000 and circulated it to all the universities and colleges for their consideration. Subsequently, a minuscule number of colleges have started basic entrepreneurship teaching. All India Council for Technical Education (AICTE) has been promoting Entrepreneurship Development Cells (EDCs) in engineering and technology colleges. On a rough reckoning, there are about 50 EDCs supported by AICTE. The Ministry of MSME also supports, in a limited manner, creation of EDCs in Universities. It had supported about 5 universities in setting up EDCs. National Science and Technology Entrepreneurship Development Board of the Department of Science and Technology is the major sponsor of EDCs, though its focus is engineering and science colleges and universities. So far, it has sponsored close to 80 EDCs. Besides, a number of Management Schools have been offering 'entrepreneurship' as one of the electives. Only 4-5 Business Schools offer post graduate programme in 'entrepreneurship'.
- 3.5.3 Given the number of students, the entrepreneurship infrastructure in educational institutions is quite inadequate. For example, of the 620 universities and over 33,000 colleges, only about 200 have Entrepreneurship Development Cells. And, not all cells are very active. Therefore, Government realises that it needs to give a big push to mainstream 'entrepreneurship' in education system.
- 3.5.4 To make entrepreneurship an integral part of Higher Education (specifically Arts, Commerce and Management Faculties), the Government will:
  - (i) make it mandatory for all the universities and colleges to introduce entrepreneurship as a 90-hour course (30 hours each year) at under-graduate level, in all the faculties, by 2015.



- (ii) develop a 90-hour curriculum for teaching entrepreneurship, which will assign significant weightage to applied; field based components rather than only theoretical, class room teaching. New assessment parameters will be evolved for evaluating performance of students. Each Arts and Commerce student will be expected to have identified a viable business opportunity and prepared a sound, bankable business plan, at the end of the course.
- (iii) encourage Universities and colleges to treat entrepreneurship as a separate discipline of study and launch a 3-year undergraduate (Bachelor of Entrepreneurship – B. Ent.), 2-year post-graduate (Masters in Entrepreneurship – M. Ent.), and a Ph.D. programme in entrepreneurship, on the lines of Bachelor of Business Administration (BBA) and Masters of Business Administration (MBA), by 2020.
- (iv) encourage youths who drop out at various levels, to take up an entrepreneurial career. For such students, the Government will encourage Open Learning Programmes in Entrepreneurship. Government will help Indira Gandhi National Open University (IGNOU) and Entrepreneurship Development Institute of India (EDI) who are already offering such distance education programmes in entrepreneurship, to up-scale their efforts and outreach.
- (v) in grading/accrediting institutions of higher education give higher weightage for promoting entrepreneurship among students and teachers.
- (vi) ensure that the University Grants Commission allocates higher grants and funding support to institutions that successfully motivate and support students who choose entrepreneurship as a career and set up their ventures.
- (vii) encourage teachers in helping students set up their ventures and extend support in managing their enterprises in the initial phase. They will be allowed to invest and also take sweat-equity in the venture, on mutually agreed terms and conditions.
- (viii) make it mandatory for universities and colleges to set up Entrepreneurship Development Cells (EDCs) with a view to providing hand-holding support and thus facilitate setting up of new ventures by the students. The Cells will also organise short-duration training programmes on venture start up for persons other than students, as a part of their outreach activities.
- (ix) expect EDCs to operate as a one-stop-shop for all necessary information on formalities and procedures involved in setting up a venture and will also authorise EDCs to complete necessary formalities and procedures on behalf of the Government departments so that student-entrepreneurs do not have to run approach multiple agencies for completing formalities.
- (x) provide space to student-entrepreneurs on the university/college campus to help them showcase and sell their products for the first two years of their operations.



- (xi) encourage Institutions to maintain a roster of students who become successful entrepreneurs.
- (xii) encourage universities and colleges to promote student-driven 'Entrepreneurship Clubs' which will organise various activities focussing on entrepreneurship, such as: discourses and debates, quiz/essay, case/idea competitions, lectures by successful entrepreneurs, organising 'Entrepreneurship Week', networking with local entrepreneurs, business associations, financial institutions, technology providers and R&D institutions, organising small business clinics for helping micro-entrepreneurs in the neighbourhood, focussing on women entrepreneurship, promoting the concept of social entrepreneurship, networking with other entrepreneurship clubs, etc.

### **3.6 Fostering Innovation Driven Entrepreneurship through Incubation**

- 3.6.1 Incubators are the seed bed for high impact innovations leading to new start-ups and growth ventures. The 'incubatee companies' are in fact large companies which only started small. Besides, new knowledge-based ventures are emerging as a new tool of social equalisation. Incubators provide a complete eco-system for formation of such innovative ventures.
- 3.6.2 Incubators lead to creation of jobs, wealth, revenue for government, deployment of new technologies and creation of new knowledge. With the advent of knowledge driven economy, incubators are no more an option but a necessity to ensure growth and competitiveness of a country.
- 3.6.3 Technology Business Incubators (TBIs) have emerged as the major source of innovation across the globe. They provide infrastructure; counselling; technical advice; access to information, access to venture capital, mentoring and networking and overall support in start-up process under one roof. This is a kind of one-stop-shop for innovators.
- 3.6.4 Resources being committed by the governments all over the world underscore the significance of TBIs. There are over 1300 Incubators in USA and Canada, 900 in Europe, over 800 in China, about 300 in South Korea, 200 in Japan, and 100 in a small country like Taiwan. In contrast, India has only about 115 TBIs. Of these 115, National Science and Technology Entrepreneurship Development Board (NSTEDB) of the Department of Science and Technology (DST), Government of India, has set up about 70 incubators, while the remaining 40-45 incubators have been set up by other public and private agencies including the Ministry of Micro, Small and Medium Enterprises (MSME) and Department of Information Technology.
- 3.6.4 Over and above, there are a number of R&D Labs under the Department of Scientific and Industrial Research (DSIR). The DSIR also promotes incubation based entrepreneurship through its Technopreneur Promotion Programme (TePP).
- 3.6.5 As mentioned earlier, there are over 10,500 engineering colleges and polytechnics in the country with an intake capacity of about 22,00,000 students. These institutions



are the potential hubs of innovation. Every year close to 20,00,000 projects, based on new ideas, are submitted by the students for evaluation. It will be reasonable to assume that at least one out of 100 projects will have some commercial value. Further filtering of ideas might bring down the number by half, to a reasonable 10,000. It means a modest target of one innovation one college a year in each of the 10,000 odd engineering colleges. It is quite achievable.

3.6.6 In order to promote technology based entrepreneurship, the National Science and Technology Entrepreneurship Development Board (NSTEDB), set up in 1982, has been quite active by sponsoring Entrepreneurship Development Cells, Entrepreneurship Awareness Programmes, Idea Competitions, Business Plan Competitions and, above all, by setting up Technology Business Incubators in reputed technology and management institutions.

3.6.7 Despite the given pool of science and technology teachers in the universities, scientists, researchers and students with background of science and technology, new technology venture ideas have not become widespread, due to lack of appropriate strategic interventions. Government must realise the need to augment support infrastructure to take advantage of the available scientific and technology based intellectual capital which has the potential to be commercialised, and can take the country into a new orbit of global competitiveness. To achieve this goal, the Government will:

- (i) hasten the pace of setting up of TBIs in good and reputed engineering colleges and universities, based on their National Assessment and Accreditation Council (NAAC) Rating which have a track record of promoting entrepreneurship. Government will facilitate setting up of at least 200 new incubators in the next 5 years. It will also encourage setting up incubators beyond metro centres, in tier-2 and tier-3 towns.
- (ii) provide innovators with access to Government supported testing facilities, including those available in institutes of higher learning like IITs/IISc, at a subsidised rate. This is against the backdrop that innovators do not have enough resources to create testing facilities for their products (such as solar energy, pharmaceuticals, etc.). The Government will also equip a few high performing specialised TBIs in creating such facilities in their focus area.
- (iii) encourage setting up of incubators jointly by engineering colleges and business schools to harness the strengths of both types of institutions in promoting hi-tech, high growth entrepreneurs. It is often stressed that the professionals who operate TBIs do not have adequate competence in business development processes, like finance or marketing. They are not able to offer the much needed business counselling and commercial guidance and advice to incubatees. The incubator managers also lack proper networking with business community and angel investors. At the same time, a large number of fairly good business schools exist without their business development expertise being



utilised. Government will also welcome industry associations to join such ventures as co-promoters.

- (iv) extend support to all the engineering colleges and polytechnics in setting up Entrepreneurship Development Cells (EDCs) with the ultimate aim of upgrading some of the high performing EDCs into TBIs.
- (v) encourage better interface between industry and academia (including university system and research labs) to take advantage of each other and undertake joint research which could be jointly patented. Such partnerships bring financial and intellectual capital at one platform, leading to enhanced pace of commercialisation of research.
- (vi) bring in adequate flexibility to universities and faculty to patent publically funded research by enacting a law akin to Bayh Dole Act of USA that has been quite effective in promoting university led R&D innovations. Even within the country, a few IITs (like IIT, Kanpur) have been successful in this. Government will encourage replication of such innovative models for promoting and strengthening IPRs.
- (vii) ensure that technologies developed by publically funded institutions and national laboratories are necessarily put in public domain for commercialisation so that it is accessible to people who need such technologies.
- (viii) recognise high performing TBIs by declaring them as 'Centres of Innovation Excellence' and intensify financial/resource support for their expansion and growth. The practice of '**Fund them For the First Five years and Forget them Forever**' (6 Fs) will be altered in favour of merit-based long-term support.
- (ix) encourage the development of 'incubator variants' such as Cross Cultural Venture Incubators, NRI Tech Convergence Incubators, Accelerators, World Scale Venture Incubators, etc., over a period of time.
- (x) introduce a scheme entitled 'Adopt a Start-up' to attract successful entrepreneurs to provide handholding support to start-ups for a year, from a Technology Business Incubator.

3.6.8 The Government is aware of the utter lack of funding support for start-ups. This issue is being addressed in a separate section of the document.

3.6.9 The Government is convinced about the contribution of 'Technology Business Incubator (TBI) Programmes' in India's growth strategy. It is also aware of the need of an exclusive Incubator and Innovation Policy and is committed to introduce one. However, since TBIs play an important role in promoting high-tech start-ups and technology driven growth entrepreneurship, a few policies that strategically affect emergence and growth of innovation driven tech-enterprises have been integrated in this National Entrepreneurship Policy.



## **4.0 FOSTERING INCLUSIVE ENTREPRENEURSHIP**

- 4.1 The base of entrepreneurial supply has historically been rather narrow, confined by and large to a few castes and communities, leaving out a large section of society consisting particularly of women, scheduled castes & scheduled tribes, minorities, artisans, etc., under-represented. Similarly, the supply has also been regionally imbalanced, leaving a large part of Eastern and North Eastern India under-represented.
- 4.2 The ownership data from the 4<sup>th</sup> Census of Micro, Small and Medium Enterprises (MSMEs) conducted by the Office of the Development Commissioner-MSMEs, Government of India clearly shows that despite almost 50 per cent share in population, women account for only 7.36 per cent of the ownership of MSMEs. Similarly, about only 11 per cent enterprises are owned by SC/ST and only 17.14 per cent by minorities (including Muslims, Sikhs, Christians, Jains and Buddhists). Similarly, eight North Eastern states account for only 3.48 per cent share in the micro, small and medium enterprises, according to the 4<sup>th</sup> Census of MSMEs, Government of India. Moreover, the ownership, irrespective of the segment, is confined to micro enterprises. Government realises that under-development of these communities and regions is primarily because of the uneven development of entrepreneurship that has led to their entrepreneurial alienation and disempowerment.
- 4.3 There are a large number of employees and retired or voluntarily retired civil servants and army personnel who would like to start their own ventures. However, very limited facilities are available for such potential entrepreneurs. As a result, substantial opportunities are lost because of lack of appropriate mechanism to support such potential.
- 4.4 Realising that economic empowerment is a necessary condition for, and a major route to social and political empowerment, the Government will attempt to promote inclusive growth of entrepreneurship, encompassing all sections and regions of society to exploit emerging opportunities and thus achieve equitable entrepreneurial growth in the country. To achieve the goal of inclusive entrepreneurship development, the Government will address the reasons behind under-representation in entrepreneurial manifestations of these segments. These would include providing access to information, credit, market linkages and managerial competencies, as a comprehensive package. Of course, the focus here will be on promotion of micro enterprises of self-employment variety, rather than high profile enterprise creators of classical kind.
- 4.5 While the present efforts of various ministries of the central and state Governments are notable, they leave much to be desired. For example, Union Ministries of MSME, Rural Development, Housing and Urban Poverty Alleviation, Food Processing Industries, Justice and Social Empowerment, Department of Science and



Technology and Ministry of Textiles are engaged directly or indirectly in the promotion of entrepreneurship, addressing mainly under-represented sections of society and regions. However, there is plenty of scope to multiply such efforts. For example, there is hardly any reservation for SC/ST in Entrepreneurship Development Programmes, barring a few conducted for particular segments like women or SC/ST. So far, the focus on minorities is virtually non-existent. To improve the situation, the Government will:

- (i) Suitably review the current entrepreneurship development strategy (which is, by and large, micro enterprises/self-employment focussed) of the Ministries and ensure that these under-represented segments and regions are adequately integrated in the approach by laying special focus on them.
- (ii) Map-out the areas of concentration of SC/ST and minorities and make special efforts to promote entrepreneurship among women and youth, in sectors in which they have some competitive advantage like skills, raw material base, etc. For example, primary value addition (initial processing) will be encouraged at source to help local small farmers and producer groups enhance their incomes.
- (iii) Undertake a mass campaign to promote entrepreneurship/self-employment among these segments by enlisting support of opinion leaders of such communities to encourage youth to look up to entrepreneurship and self-employment rather than seek employment.
- (iv) Promote the concept of '*Exopreneurship*' wherein employees take an exit route to become entrepreneurs with the support of companies they had been working with, emulating Corporates like Ingersoll Rand that support such individuals by enrolling them as their vendors or suppliers of goods and services.
- (v) Encourage Rs. 100 crore plus companies to regularly organise entrepreneurship awareness and orientation camps to encourage their employees to set up their own ventures as their vendors or suppliers.
- (vi) Promote target specific micro enterprise development programmes for youth to build their capacities in terms of knowledge, skills and aptitude so that they are able to negotiate with the market forces successfully.
- (vii) Involve national and state agencies engaged in helping disadvantaged and marginalised groups of population to improve their lot – agencies such as National Scheduled Caste Finance and Development Corporation (NSCFDC), National Minorities Development and Finance Corporation (NMDFC), National Backward Classes Finance and Development Corporation (NBCFDC), National SC & ST Finance and Development Corporation, National Safaikarmacharis Finance and Development Corporation (NSFDC), National Handicapped Finance and Development Corporation (NHFDC), Rashtriya



Mahila Kosh (RMK), State Women Economic Development Corporations (WEDCs), etc., in proactively promoting entrepreneurship among their target communities.

- (viii) Promote 'Group Entrepreneurship', so that these micro entrepreneurs, as producer groups, in rural, tribal and underrepresented areas are able to reap economies of scale. Micro entrepreneurs, in these areas are too weak to face the onslaught of market forces individually.
- (ix) Focus, initially, on tier-2 and tier-3 towns to promote entrepreneurship, while initiating similar activities in selected smaller towns and rural areas.
- (x) Encourage training, consultancy and counselling agencies to extend business development services at affordable prices to untrained entrepreneurs in the informal sector to help them improve their performance. A large number of persons start their enterprises, especially in the informal sector, without any planning, as that is the only livelihood opportunity available to them. More often than not, such entrepreneurs barely eke out their living and continue to languish at the subsistence level. They seldom survive the vagaries of the market, primarily because of the lack of appropriate entrepreneurial skills and competencies.
- (xi) Encourage, successful local entrepreneurs by empanelling them as 'Mentors' to provide start up mentoring and business counselling support to nascent entrepreneurs.
- (xii) Initiate necessary steps to ensure MSME participation in procurement of goods and services by the Government, public sector companies and defence organisations. Realising that MSMEs face major problems in marketing their products, the Government has recently announced a policy for public procurement from MSMEs to the extent of 20 per cent of their requirements. The organised retail-chains, likely to emerge soon in the country, too may be encouraged to procure supplies from MSMEs provided the supply-capabilities, especially of artisans and micro entrepreneurs, at individual and group level are improved. The Government will reach out to private sector in developing 'supplier's capabilities' in these areas, in a PPP Mode.
- (xiii) Encourage private sector to integrate with the micro and small enterprises by providing knowledge, management and linkages to these enterprises as a part of its Corporate Social Responsibility (CSR).
- (xiv) Build capacity of small producers in the areas of technology, quality, skills and managerial capabilities.
- (xv) Encourage small producers, especially from under-represented groups and regions to organise themselves into cooperatives, collective enterprises, producers' companies, group entrepreneurship, etc., so that they are able to



supply goods and services of uniform quality and in bulk, and within time, and at a reduced logistic cost to reap economies of scale. In this context, primary focus will be on clusters of products that are primarily produced by SC/ST, minorities, socially and economically backward communities and backward regions.

- (xvi) Make an effort to bring in convergence of about 20 public schemes of assistance to micro and small enterprises, being presently implemented by various ministries and parastatal agencies.
- (xvii) Encourage entrepreneurship development institutes to offer capacity building programmes for strengthening family businesses and inculcating entrepreneurial competencies among the new generation youth. It is well established that clusters of micro and small enterprises are seedbeds of innovations. They thrive on social capital that develops over time. It is also a fact that most Indian enterprises are family businesses and not necessarily well managed. Most enterprises are imitative and prone to decay, due to lack of proper capacity building efforts, succession and growth plans. Programmes in capacity building stir their creative and innovative instincts among the target groups.
- (xviii) Focus on new enterprise creation in clusters by organising product/sector specific Entrepreneurship Development Programmes (EDPs). Such programmes are likely to yield better results in terms of start-ups as a sound eco-system already exists in clusters of SMEs.
- (xix) Give a stronger push to Entrepreneurship-cum-Skill Development Programmes currently organised under the aegis of the Union Ministry of MSME, with a focus on underrepresented groups and regions.



## **5.0 PROMOTING SOCIAL ENTREPRENEURSHIP AND SOCIAL INNOVATIONS TO ADDRESS BOTTOM OF THE PYRAMID**

- 5.1 Given the level of poverty, unemployment and deprivation among the poor, the governments all over the world are concerned with devising alternative means to improve the situation. In this context social enterprise has emerged as an important organisation form in empowering poor and addressing their needs. Social innovation is the other side of the coin of social entrepreneurship. Economic mainstreaming of poor calls for higher levels of creativity and social innovations to foster sustainable growth, secure jobs and facilitate, financial inclusion, etc. Social innovation seeks new answers to social problems by offering new products and services to integrate the poor with markets as active participants rather than passive recipients.
- 5.2 Social Entrepreneurship offers market-based solutions to social problems. It also challenges the market status quo by introducing new variety of organizational structures. However, unlike a commercial enterprise, social benefit is fundamental to a social enterprise. It not only creates social value but also creates economic value. Traditionally, people think of not-for-profits agencies as being responsible for creating social value and profits oriented organisations for creating economic value. Social entrepreneurship brings these dichotomies together, marrying social interest and market mechanisms to create both social and economic value under the ambit of a new type of institution. The hallmark of social entrepreneurship is its ability to combine social interests with business practices to effect social change. A number of social enterprises are contributing a great deal to the welfare of the poor. Examples of such enterprises are Grameen Bank of Bangladesh, Jaipur Foot, Aravind Eye Care, Jaipur Rugs, etc. Looking at the contribution of such social enterprises to society, the Government will:
- (i) actively promote 'social entrepreneurship' in the country. Government will encourage universities and institutions to launch a course on 'Social Entrepreneurship' as a part of Bachelor of Social Work (BSW) and Master of Social Work (MSW). Similarly, management schools will also be encouraged to offer a course on 'social entrepreneurship'. EDIs will be encouraged and supported to develop short duration Social Entrepreneurship Development Programmes (SEDPs) to hone capabilities and creative skills of those who are interested in starting social enterprises.
  - (ii) assist training institutions of repute to organise short-duration awareness-cum-orientation programmes on social entrepreneurship for support system officials so that they are able to extend requisite assistance to social entrepreneurs in



their survival and growth. Social Entrepreneurship is a nascent concept, which the officials may not be aware of.

- (iii) foster a social capital market place by offering fiscal incentives to attract investors and make provision for funding support under a separate scheme to facilitate access of social entrepreneurs to credit. Since the objective of a social enterprise is not to make profits permanently but to ensure affordability and availability of products and services to the poor and also accessibility of poor to products and services, which are out of their reach (be it health services, education, potable water, housing, electricity, or even nutrition) it takes a while for a social enterprise to break-even during which period it requires infusion of capital that may not give immediate returns.
- (iv) encourage NGOs to convert their organisation into a social enterprise or set up a new one to become sustainable and provide useful services to the poor and help them attain empowerment.
- (vi) set up Social Innovation Incubators and facilitate their linkage with R&D organisations, management schools, public and private sector enterprises and corporates to hasten the pace of creative solutions to unsolved social problems.
- (vii) help demystify innovations and provide social enterprises an access to relevant technologies developed by publicly funded R&D labs.
- (viii) include social clauses in procurement procedures in Government, public sector and defence organisations to involve social entrepreneurs in provision of goods and services for the poor.
- (ix) set up a Social Innovation Fund to promote social innovations and support experimentation in social entrepreneurship at national and regional levels.



## **6.0 EASE OF ENTRY AND EXIT AND CREATING A FACILITATIVE ENVIRONMENT FOR EMERGENCE AND GROWTH OF ENTREPRENEURS**

- 6.1 A business friendly environment and easy entry and exit encourage potential entrepreneurs to take firm steps towards setting up their enterprises. However, presently, there are quite a few roadblocks that deter youth from taking steps towards entrepreneurship. In a recent survey entitled 'Doing Business in a more Transparent World' published by The World Bank and IFC, for the year 2012, India ranks 132<sup>nd</sup> in terms of 'ease of doing business' and 166<sup>th</sup> in terms of 'starting a business' among 183 countries surveyed. Despite reforms and government's efforts towards liberalising the economy, it takes 29 days to start a business compared to one day in New Zealand, three days in Singapore and Rwanda, nine days in Mexico and 19 days in South Africa. In India, it takes 1420 days to enforce a contract which has 46 procedures. India's rank on this parameter is 182<sup>nd</sup> out of 183; and, it takes seven years to resolve solvency with barely 20 per cent recovery rate. An entrepreneur spends almost 254 hours per year in paying taxes. Registering a property takes almost 44 days. This scenario is uninviting indeed.
- 6.2 Transaction costs of starting and operating a business are high and the process is also complex in India. A number of registrations like Tax Account Number (TAN), Permanent Account Number (PAN), Value Added Tax (VAT), Employees Provident Fund (EPF), Employees State Insurance (ESI), Excise Department, etc. have to be obtained to start a venture. Completing these formalities and procedures involve a lot of time and efforts. Similarly, property registration also takes long time and stamp duty and transfer charges differ from state to state. Moreover, an entrepreneur also has to obtain a number of clearances and permits from the central and state governments, like; a no objection certificate from Pollution Control Board, land use permits, power, water and sewerage connections, etc.
- 6.3 Government is aware of the fact that all this implies heavy transaction costs in terms of time and money. This is in spite of the fact that in most states, 'Single Window System' is in vogue. Under this system, technically an entrepreneur has to submit his/her application at a designated 'nodal point' and all the permits and licenses are taken care of. However, in actual practice it works as what has come to be known as, i.e., 'Single Window, Multi Door' facility, because the power to grant approvals is vested with various regulatory and support departments. Only a few states, i.e. Chhattisgarh, Gujarat, Rajasthan and Odisha have come up with new legislations under which, empowered bodies have been created to address all the procedures and formalities at one point. The decision of such bodies is all-pervasive.
- 6.4 It will be the endeavour of the Government to remove these constraints and come up with business friendly rules and regulations to facilitate entry of young potential entrepreneurs into business. However, since the MSMEs fall under the jurisdiction of state governments, Government of India will work closely with the state governments to improve the support system to create an entrepreneur-friendly environment, by carrying out necessary reforms.
- 6.5 It will be the endeavour of Government to promote an eco-system enveloping all the key stakeholders viz. government, industry associations, NGOs, academic/training



institutions/banks and financial institutions, support agencies, regulatory bodies, etc., to help entrepreneurs realize their dream of creating a successful innovative and growth venture.

6.6 The government will make a serious bid to reduce the time of starting a business from the present 29 days to about two weeks. To achieve this goal, the Government will:

- (i) introduce *Single Unique Enterprise Identity Number* (SUEIN) that a new enterprise could use for various registrations including taxes and social security like, EPF and ESI. Once SUEIN is available, the information could be forwarded to all the relevant regulatory and support agencies, which in turn use it to facilitate the process of setting up the enterprise.
- (ii) encourage states to introduce a '*Single Composite Application Form*' (SCAF) that will help entrepreneurs file a single application for obtaining all the approvals and clearances from various government authorities. Some states have already introduced the SCAF; other state governments will be encouraged to follow suit.
- (iii) encourage state governments to strengthen their *Single Window System* on the lines of the states like Andhra Pradesh, Chhattisgarh, Odisha, Rajasthan, under which a High Power Committee is constituted to give all the necessary clearances for setting up a business. The SCAF system will also be implemented under these empowered committees.
- (iv) provide on-line access to application forms and other relevant information on availability of land, water and power connection, tariffs, incentive policy, rules, regulations and procedures, etc., to potential entrepreneurs.
- (v) convert the present District Industries Centres (DICs) into Business Development Centres (BDCs) with an objective to provide technical and procedural handholding support and counselling to pre-start-up, nascent, early start up and growth ventures. These BDCs will be governed by an independent Governing Board with successful entrepreneurs in the majority (At least 1/3<sup>rd</sup> members will be successful entrepreneurs, including successful women entrepreneurs, below the age of 30 years). A successful local entrepreneur will be its Chairperson.
- (vi) assess the feasibility of setting up special 'Fast Track Commercial Courts' (FTCCs) to settle commercial disputes and cases related to enforcement of contracts and solvency/bankruptcy, within a stipulated, reasonable time-frame. The government will also encourage state governments in setting up FTCCs.
- (vii) permit flexibility to start-ups in '*hiring and retaining*' workforce for operational adjustments and rationalisation during the first three years of operation of an enterprise, assuming that by the end of three years it will either stabilise and grow or become sick and close down.
- (viii) allow easy exit to enterprises if they have been in operation for less than three years. Such enterprises will be facilitated to close their operations, if not found viable, within a period of three months.



## **7.0 ELIMINATING INFORMATION DEFICIT**

7.1 The study on Entry Barriers to Entrepreneurship, referred to earlier, indicates that one of the key entry barriers to entrepreneurship is the lack of adequate information on procedures and formalities of starting a business. A nascent entrepreneur requires updated and reliable information on various facets of setting up and operating a business, such as registration process, regulatory aspects, statutory compliances, sources and procedures for obtaining finance, availability and access to infrastructural facilities, market intelligence and international markets, sources of technology, government policy for procurement of goods and services, etc. Though, Ministry of MSME, Federation of Indian Chambers of Commerce and Industries (with support of the Department of Science & Technology) and State Governments provide information on procedures and formalities, it is scattered and fragmented. There is no single website that provides a comprehensive set of information to a potential entrepreneur. Most of the time, the available information is out-of-date and thus not relevant (especially in the cases of states). Acknowledging the information deficit facing nascent entrepreneurs, the Government will:

- (i) set up a One-Stop-Shop that will provide optimal information services to start ups and existing entrepreneurs., (on the lines of 'One Stop Capital Shops' in the USA, 'Direct Access Government Online Resource' in the UK and 'EnterpriseOne' in Singapore) to facilitate easy access of entrepreneurs to 'online information' at the click of the mouse. It will be housed in the Ministry of MSME till a better alternative is found. Other relevant ministries like the Ministry of Commerce, Ministry of Rural Development, Department of Science and Technology, etc. will be encouraged to join hands in this endeavour.
- (ii) create an all-encompassing website on Entrepreneurship as a one point information kiosk on commercial information which will include market related information on prospects and trends, international business environment and cautions wherever necessary, information on 'doing business with a particular country', new emerging technologies and their sources, information on technologies that have potential of commercialisation and are available with public funded research organisations, etc.
- (iii) bring out 'periodically updated' Entrepreneur Information Handbooks containing guidelines on all the procedures and formalities of setting up and operating a business and accessing support infrastructure, in Hindi and English as well as in regional languages. This source will be made available in both hard as well as soft form.



## **8.0 IMPROVING ACCESS TO FINANCE**

- 8.1. Finance for new enterprises continues to remain 'Achilles Heel' of the entire process. As per the 4<sup>th</sup> Census of MSMEs, conducted by the Office of the Development Commissioner (MSMEs), Government of India, for the year 2006-07, 92.77 per cent of MSMEs did not or could not access institutional finance, and were self-financed. Only 5.18 per cent MSMEs accessed finance from institutional sources. Similarly, RBI data also shows that the share of small scale industries in the gross bank credit from scheduled commercial banks has been continuously going down. In 1990-91, the share of SSI was 15.42 per cent of the gross bank credit. The corresponding figures for the year 2006-07 were merely 6.34 per cent. This is despite the fact that a number of committees set up by the Reserve Bank of India have recommended the ways to increase credit flow to micro and small enterprises.
- 8.2 The situation about the availability of start-up funds is still worse. While limited seed funding is available under the TePP scheme of the Department of Science and Technology for establishing proof of technology based innovations, the financing for the next stages of product development and market development is quite limited. In fact, information asymmetry, as stated in the Report of the Committee on Technology Innovation and Venture Capital (2006) set up by the Planning Commission, makes it difficult to raise finances at the early stages because ventures often have a low equity base and lack cash flow to sustain debt finance. Financial Institutions, being risk averse, also usually do not finance such ventures. Angel Investors, more often than not, come to the rescue of such ventures. But, in India, even the angel investors shy away from such investments and operate more as Venture Capitalists. There is a need to create a window for start-up funds.
- 8.3 There is also a paucity of accelerator/growth funds and venture capital for growth. There are also gaps in private equity finance to meet pre-operative expenses towards entry into capital markets to raise funds by growth firms.
- 8.4 At one point of time State Financial Corporations (SFCs), as development finance institutions, were playing a very important role in meeting credit needs of the entrepreneurs investing within the state. Most of the SFCs, however, did not succeed due to a variety of reasons, including political interference. They were vanguards of the local entrepreneurial aspirations and manifestations, unlike scheduled commercial banks that go for deposits in one state and extend credit facilities in some other states, leading to lopsided credit: deposit ratio.
- 8.5 It is true that capital is scarce in our country but the existing institutional framework for capital supply lacks a streamlined structure and strategy, multiplying to the problems of capital accessibility. The entrepreneurs, particularly micro and small, meet their capital requirements primarily from their personal savings and to some extent from bank credit. However, it is a sheer myth that capital shortage, particularly for MSMEs, can be financed through credit instruments only.



- 8.6 The society at large can also be encouraged to directly invest in MSMEs by promoting, strengthening and developing capital markets for MSMEs. The approach of 'local capital for local enterprises' can on one hand reduce the transaction costs of financial intermediation while, on the other, it would help generate equity investment culture among the saving segments of the society, which is indeed needed to build a healthy environment for enterprise development. And, if capital is easily accessible, a huge hurdle to start and grow an enterprise will be overcome.
- 8.7 Scheduled commercial banks and other financial institutions also shy away from funding new enterprises due to the lack of their track record in terms of credit rating. Very few SMEs get credit ratings because of their ignorance about Credit Rating Agencies and advantages of such rating.
- 8.8 There is widespread disdain and an utter lack of tolerance for business failures in India. Government is aware of the stigma that business failure carries. Even if an entrepreneur fails due to market failures or some other genuine reasons, he/she becomes almost a 'castaway' for financial institutions, unlike in the US or other developed economies where failures are treated as learning and the failed entrepreneur can restart a new venture without any stigma. A person's perception of 'cost of business failure' could act as a major deterrent to entrepreneurship.
- 8.9 The Government is determined to address issues related to credit delivery and further reinforce the flow of credit to a deserving entrepreneur with a viable project. A young potential entrepreneur cannot be allowed to get frustrated and move out with broken dream, while s/he may have the potential to bring about a positive change in the markets. Government believes that if capital is found to be easily accessible, a huge hurdle to start and grow an enterprise will be overcome. Therefore, the Government will:
- (i) ensure that the credit delivery norms are met by financial institutions without compromising with the quality of the projects submitted for credit.
  - (ii) strengthen venture capital companies in quasi-public sector such as Gujarat Venture Finance Ltd. or Andhra Pradesh Industrial Development Corporation, by infusing capital through equity participation; and also encourage other state governments to promote similar venture capital organisations, with participation of the centre and state governments, financial institutions and private investors. These funds will be directed towards financing start-ups and early growth companies. To this effect, the Government will establish an Early Stage Venture Fund through a PPP mode, to participate in innovative start-up companies, so that an enterprise may acquire enough credibility to approach commercial venture funds to meet additional capital requirement. Though the government has already set up a risk/venture capital subsidiary in Small Industries Development Bank of India (SIDBI), it falls short of the requirement.



- (iii) induce society at large to directly invest in MSMEs, by promoting, strengthening and developing capital markets for micro, small and medium enterprises. While the approach of 'local capital for local enterprises' will reduce the transaction costs of financial intermediation, it would help generate equity investment culture among the people. This is indeed needed to build a healthy environment for entrepreneurship development.
- (iv) promote state level or regional capital markets for MSMEs. Such exchanges will be in PPP mode, where state owned and national level financial institutions will initially have controlling interest.
- (v) promote a 'rescue' culture by revisiting bankruptcy rules; and facilitating counselling and advisory service to troubled firms.
- (vi) revive State Financial Corporations (SFCs), by making necessary changes in the SFC Act. The SFCs will be mandated to look after the credit requirements of the MSMEs at the state level and will be operationally independent and professional. A provision will be introduced to convert these corporations into companies with up to 49 per cent public participation in their capital.
- (vii) involve national and state bodies set up to uplift disadvantaged and marginalised groups of population – e.g., National Scheduled Cast Finance and Development Corporation (NSCFDC), National Minorities Development and Finance Corporation (NMDFC), National Backward Classes Finance and Development Corporation (NBCFDC), National SC & ST Finance and Development Corporation, National Safaikarmacharis Finance and Development Corporation (NSFDC), National Handicapped Finance and Development Corporation (NHFDC), Rashtriya Mahila Kosh (RMK), State Women Economic Development Corporations (WEDCs) -, in providing credit to micro enterprise start-ups launched by their target population.
- (viii) explore the possibility of setting up a national fund for the unorganised sector, as recommended by the National Commission for Enterprise in the Unorganised Sector in 2007, to hasten the process of achieving inclusive growth of entrepreneurship.
- (x) give more effective recovery powers to financial institutions by introducing an appropriate legislative change.
- (xi) create wide awareness among SMEs about credit agencies like SME Rating Agency (SMERA) and educate them about the advantages of credit rating.



## **9.0 RECOGNISING AND CELEBRATING ENTREPRENEURSHIP TO PROMOTE ENTREPRENEURIAL CULTURE**

- 9.1 To an extent, the supply of entrepreneurs is also determined by the prestige and image that entrepreneurship commands in a society. If entrepreneurship is respected, it gives impetus for the youth to consider entrepreneurship as a preferred career. If it does not have high esteem, it may deter youth from getting attracted to this career. In India, entrepreneurship has somehow, not been able to acquire the status it deserves, unlike developed economies such as the USA, the UK, Japan and Singapore. Even the government policies did not encourage entrepreneurship until recently. In fact, India, as a society, appears to have had disdain for making money and contempt for entrepreneurship. Not many persons realise the contribution that entrepreneurship makes to growth and development of a country.
- 9.2 Of late, the situation has started changing, particularly after the early 1990s, with the advent of liberalisation, privatisation and globalisation. The new economy and knowledge driven sectors like IT, ITES, Nano Technology, and Bio-Technology, are new manifestations to entrepreneurship. New economy entrepreneurs are mentioned with reverence. Nevertheless, there is a need to create more role models at district, state and national levels to encourage and attract entrepreneurial talent. Towards this objective, the Government will:
- (i) create district, state and national level 'Entrepreneurship Ambassadors' from amongst successful entrepreneurs to recognize their success and achievements.
  - (ii) facilitate setting up of 'Young Entrepreneurs' Consortium' (of entrepreneurs below 30 years of age) at all levels (district, state and national levels) with the mandate to seek their support in promoting entrepreneurship in their areas by delivering motivational lectures and organising various events around the theme of entrepreneurship and development work (*a la Teach for India and Yuva Unstoppable*), by involving youth.
  - (iii) introduce a 'Give An Entrepreneurial Hour' scheme to encourage established entrepreneurs to commit 1-hour a month for promotion of entrepreneurship by addressing students of schools, colleges and other groups of youth, in addition to providing hand-holding support to start ups, at local level.
  - (iv) introduce 'Young Achievers' Awards' (for both men and women entrepreneurs separately) at all levels viz., district, state and national levels to recognise the achievements of entrepreneurs below the age of 30 years. These awards will be coordinated by District Industries Centres at the district level, Commissionerate/Directorate of Industries at the state level and Ministry of MSME at the national level.



- (v) encourage media to cover and publicise entrepreneurship related events, including the 'Award Functions' and host shows projecting achievements of young entrepreneurs at all levels.
- (vi) involve leading industry and business associations like Federation of Indian Chamber of Commerce and Industry (FICCI), Confederation of Indian Industry (CII), the Associated Chambers of Commerce & Industry of India (ASSOCHAM), state level Chambers of Commerce and Industries, sector specific industry associations like NASSCOM, in accomplishing the tasks stated above.



## **10.0 CREATION OF A PERMANENT NATIONAL COMMISSION ON ENTREPRENEURSHIP TO INSTITUTIONALISE ENTREPRENEURSHIP DEVELOPMENT IN THE COUNTRY**

- 10.1 A large number of ministries in the Government, viz. Ministries of MSME, Finance, Commerce and Industries, Company Affairs, Law and Justice, Women and Child Development, Human Resource Development, Rural Development, Department of Science & Technology, Food Processing Industries, Housing and Urban Poverty Alleviation and Social Justice and Empowerment are engaged, directly or indirectly, in the promotion of entrepreneurship. Since development of entrepreneurship is affected by policies and actions of different ministries at the central and state levels, the implementation of entrepreneurship policy necessitates inter-ministerial and inter-governmental coordination. Also the task of developing broad-based partnerships with community organisations, members of media, and business and corporate sector goes much beyond the purview of any single ministry.
- 10.2 In view of the above scenario, the Government of India will set up a permanent National Commission on Entrepreneurship (on the lines of Prime Minister's National Skill Development Council), with Prime Minister as Chairperson and Union Ministers of the relevant ministries, Deputy Chairman, Planning Commission, captains of industry, young entrepreneurs (with at least 10% representation), academia and specialized institutions engaged in promoting entrepreneurship, R&D institutions, angel investors/venture capitalists, etc., as members, to achieve convergence.
- 10.3 The proposed Commission will have a professional with considerable experience in the field of entrepreneurship, as Deputy Chairperson and two permanent members appointed for a term of five years. A senior secretary level officer from the government will be Member Secretary of the Commission.
- 10.4 The proposed Commission will guide entrepreneurship movement in the country, unleashing entrepreneurship and youth power in pursuit of wealth creation, employment generation and productivity improvement, by judiciously harnessing technology and resources. State Governments will also be encouraged to set up similar organisations at the state levels, which may be headed by the Chief Minister.
- 10.5 As of now, only 13 states governments have set up state level entrepreneurship development institutions (EDIs). The Commission will assist the remaining state governments also to set up state EDIs, to strengthen training infrastructure for entrepreneurship.
- 10.6 The Government will make adequate financial provisions, on the lines of National Skill Development Corporation, to foster entrepreneurship development movement in the country.



10.7 The Commission will be mandated to:

- (i) develop a vision document on entrepreneurship;
- (ii) help state governments evolve their entrepreneurship policy in consonance with the national policy, to create an environment for germination and growth of entrepreneurship, and thus motivate youth to take up entrepreneurship as a preferred, viable and rewarding career;
- (iii) evolve a five year plan and strategies for promotion of entrepreneurship;
- (iv) work out methodologies for implementing policies, strategies and plans by coordinating with relevant departments and ministries;
- (v) constantly monitor the changing global and national economic environment and its impact on entrepreneurship, and introduce policy shifts accordingly;
- (vi) revamp and/or create institutional framework for promotion of entrepreneurship;
- (vii) carry out/sponsor research and document, monitor and evaluate the outcome of the interventions.

10.8 What will be achieved?

- (i) Operation of the Commission will lead to creation of an enabling entrepreneurial environment that will attract/induce investments, create employment opportunities, and generate wealth at an incremental and sustainable rate.
- (ii) It would augment and create a dependable stock of socially responsible entrepreneurs who understand the present day market and seek challenges.
- (iii) It will facilitate capacity building of entrepreneurs rather than enterprises alone. It will culminate into an institution that is entrepreneur-oriented and plays the role of a catalyst for promotion of entrepreneurs. The Commission will support the government in formulating entrepreneur-friendly policies encompassing start up, survival, growth and recovery phases of enterprises, within the overall framework of Entrepreneurship Policy.