STUDY NOTE

UG : SEMESTER----2

Subject: Ent. Development

TEACHER: DR. B. Chandra

LECTURE NO. 01

**Unit-2:**

**No. of classes: 10 / Marks: 10**

Public and private system of stimulation, support and sustainability of entrepreneurship.

Requirement, availability and access to finance, marketing assistance, technology, and

industrial accommodation, Role of industries/entrepreneur’s associations and self-help

groups, The concept, role and functions of business incubators, angel investors, venture

capital and private equity fund.

Discussion Topic: Public and private system of stimulation, support and sustainability of entrepreneurship.

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Answer:

Stimulation means an action or thing that causes someone or something to become more active or enthusiastic or to develop or opetate.

According to Encyclopedia, business stimulation is conventionally a business organization which is an entity formed for the purpose of carrying commercial enterprise.

Thus , the aim of business stimulation is the business will consider as a synonym of “related to the management of organizations” Definition of business simulation Conventionally, a business organization is “an entity formed for the purpose of carrying on commercial enterprise” According to Carson (1969), “Business stimulation is the case studies with feedback and a time dimension added” (p. 39). Although some business simulation games do not provide detailed feedback (such as an evaluation of the player’s performance), almost all of them provide results in terms of at least a final score that can be used as the ground for feedback in sense of realisation of simulation objectives.

An important consideration for a collaborative and partnership approach to small and medium enterprise (SME) development for any (development) program is that the sustainability of entrepreneur development depends to a large extend on demand-driven micro enterprise development support in terms of technical skills, technology and organizational sustainability. Once SMEs are more firmly established their individual support demand starts to diversify and can no longer be provided within a project setting.

Government agencies, branch organizations, entrepreneur representative organizations, service providers, all have a role to play to ensure adequate business development services. Development Connect and its partners can play an important role in analysing, linking, facilitating and developing capacity of key organizations to make this happen or support emerge of new organisations such as farmer networks and extension offices.

Supporting and assisting students in developing high level competencies is very challenging. Students are expected to develop a broad range of skills (critical thinking, problem solving and cognitive skills) in order to be prepared to manage effectively at their future work. The economy is changing rapidly generating more and more requirements towards the students in terms of developing an ability to be skilful, flexible and adaptable.

Measures used to Stimulate Private Investment

The following points highlight the top seven measures used to stimulate private investment. The measures are: 1. Tax Concession 2. Government Spending 3. Pump Priming 4. Reduction of the Rate of Interest 5. Stability of Wage Level. 6. Price Policy 7. Abolition of Monopoly Privilege.

1. Tax Concession:It is argued that tax concessions allowed on company and corporation profits would stimulate investment during depression period and will work as a great incentive for new entrepreneurs. Many economists like Hansen, Lerner and Klein have supported this view. Doubts have, however, been expressed as to the of efficacy of tax reductions to stimulate investment.

Tax reductions on incomes lead to a loss in government revenues which may be made up by indirect taxation on commodities thereby depressing the marginal propensity to consume and hence effective demand. Thus whatever is gained on the one hand is lost on the other. Despite this, it cannot be denied that heavy taxation docs act as a great disincentive on new investment.

2. Government Spending: The level of investment can also be stimulated by Government investment. There are many socially useful investments like construction of dams, low cost housing, slum clearance, and recreation houses etc. which are essential from the point of view of the community but which are not undertaken by private businessmen because they do not ensure quick profits. Direct investment by Government in the United States is these socially desirable projects ensured full employment and led to favourable multiplier effects.

This type of government spending may assume the nature of compensatory public spending which is incurred on the assumption that private investment, left to it, is no longer capable of maintaining full employment either in the short run or in the long run. Keynes, therefore, stressed the need of public investment as a balancing factor when the economy happens to pass through a period of depression.

3. Pump Priming: Tax reductions alone may not encourage private investment. In order to cope with the deficiency of private investment, a programme of Pump Priming is necessary. Under it, public investment is under-taken not only to meet the deficiency of private spending but also to take the economy out of the depths of depression. The idea is to ‘prime’ the ‘pump’ of private spending.

Once the economy starts working towards fall employment, public investment is supposed to be given up. Pump priming is a helpful policy not only as a method of financing but also as a method of spending. As a method of financing, it not only facilitates investment but also stimulates credit expansion. Pump priming stimulates private investment through its magnifying effects on income via the multiplier.

4. Reduction of the Rate of Interest: Keynes favoured for a long time in his earlier books a low rate of interest to stimulate private investment. Such a policy was based on the assumption that investment is sensitive to change in the rate of interest Monetary authorities, by increasing the quantity of money (other things remaining the same) can lower the rate, interest to give encouragement to investment activity.

Low interest-rates especially give stimulus to investment in some sectors of the economy. For example, provision of low-interest government loans has raised the activity in the construction of residential houses establishment of co-operatives and transport facilities, etc. But in his General Theory, Keynes did not have much faith in the ability of the interest rate to stimulate investment. According to him, recent studies have shown that interest rate is more or less an insignificant factor affecting investment activity.

5. Stability of Wage Level: Sometimes, reduction in the wage level is suggested to increase the level of investment activity on the ground that reduction in wages will reduce the total wage bill and hence the cost of production. But this policy ignores the dual nature of wage. Wages are not only costs to employers but also incomes to workers, and if reduced considerably, may adversely affect the purchasing power of the workers and hence effective demand. Thus, the stimulating effects of wage reductions on investment are of doubtful validity.

6. Price Policy: Frequent fluctuations in prices have been found to be one of the important causes of the instability of private investment. Certain amount of stability in the price level, it is felt; will surely stimulate private investment. To achieve the objective of stability in prices, a price support policy has been suggested. Such a policy implies open market operations in commodities, that is, Government purchases and sales of certain storable commodities with a view to adjusting their supply to demand.

When prices decline and the symptoms of overproduction appear, the Government would make bulk purchases to prevent further fall in prices. Similarly, when prices rise, the Government would release stocks to prevent a farther rise in prices. In this way, the Government attempts to secure some stability in prices, which, is supposed to promote private investment. In India, such a policy is being pursued in respect of agricultural commodities like wheat, rice and other food-grains.

It would be better if such a policy is extended to other durable consumer goods as well. This will promote price stability to a certain degree, removing a good deal of uncertainty and preventing speculation in commodities thereby encouraging private investment. Such a price support policy is also known as ‘The Reservoir Plan’ because under it, a reservoir (buffer stock) is created to eliminate fluctuations in prices.

7. Abolition of Monopoly Privileges: “Another reform……which is advocated as a stimulus to investment is the abolition of certain monopoly privileges. For example it is said that the patent system which grants at least 17-year monopolies on new inventions which would otherwise call for increased investment. The innovations are suppressed because they conflict with certain vested interests.” There is a great need of abolishing monopoly privileges in India in certain industries in order to encourage new investors to enter the field.

It has been the experience of capitalist economies of the west that despite these measures, private investment cannot be induced except by profit incentives of a direct nature. It will continue to be highly uncertain and sticky in the absence of such an incentive.

A few of India’s efforts at promoting entrepreneurship and innovation are:

• Startup India: Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle. Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs. With a 360 degree approach to enable startups, the initiative provides a comprehensive four-week free online learning program, has set up research parks, incubators and startup centres across the country by creating a strong network of academia and industry bodies. More importantly, a ‘Fund of Funds’ has been created to help startups gain access to funding. At the core of the initiative is the effort to build an ecosystem in which startups can innovate and excel without any barriers, through such mechanisms as online recognition of startups, Startup India Learning Programme, Facilitated Patent filing, Easy Compliance Norms, Relaxed Procurement Norms, incubator support, innovation focused programmes for students, funding support, tax benefits and addressing of regulatory issues.

• Make in India: Designed to transform India into a global design and manufacturing hub, the Make in India initiative was launched in September 2014. It came as a powerful call to India’s citizens and business leaders, and an invitation to potential partners and investors around the world to overhaul out-dated processes and policies, and centralize information about opportunities in India’s manufacturing sector. This has led to renewed confidence in India’s capabilities among potential partners abroad, business community within the country and citizens at large. The plan behind Make in India was one of the largest undertaken in recent history. Among several other measures, the initiative has ensured the replacement of obsolete and obstructive frameworks with transparent and user-friendly systems. This has in turn helped procure investments, foster innovation, develop skills, protect intellectual property and build best-in-class manufacturing infrastructure.

• Atal Innovation Mission (AIM): AIM is the Government of India’s endeavour to promote a culture of innovation and entrepreneurship, and it serves as a platform for promotion of world-class Innovation Hubs, Grand Challenges, start-up businesses and other self-employment activities, particularly in technology driven areas. In order to foster curiosity, creativity and imagination right at the school, AIM recently launched Atal Tinkering Labs (ATL) across India. ATLs are workspaces where students can work with tools and equipment to gain hands-on training in the concepts of STEM (Science, Technology, Engineering and Math). Atal Incubation Centres (AICs) are another programme of AIM created to build innovative start-up businesses as scalable and sustainable enterprises. AICs provide world class incubation facilities with appropriate physical infrastructure in terms of capital equipment and operating facilities. These incubation centres, with a presence across India, provide access to sectoral experts, business planning support, seed capital, industry partners and trainings to encourage innovative start-ups.

• Support to Training and Employment Programme for Women (STEP): STEP was launched by the Government of India’s Ministry of Women and Child Development to train women with no access to formal skill training facilities, especially in rural India. The Ministry of Skill Development & Entrepreneurship and NITI Aayog recently redrafted the Guidelines of the 30-year-old initiative to adapt to present-day needs. The initiative reaches out to all Indian women above 16 years of age. The programme imparts skills in several sectors such as agriculture, horticulture, food processing, handlooms, traditional crafts like embroidery, travel and tourism, hospitality, computer and IT services.

• Jan Dhan- Aadhaar- Mobile (JAM): JAM, for the first time, is a technological intervention that enables direct transfer of subsidies to intended beneficiaries and, therefore, eliminates all intermediaries and leakages in the system, which has a protential impact on the lives of millions of Indian citizens. Besides serving as a vital check on corruption, JAM provides for accounts to all underserved regions, in order to make banking services accessible down to the last mile.

• Digital India: The Digital India initiative was launched to modernize the Indian economy to makes all government services available electronically. The initiative aims to transform India into a digitally-empowered society and knowledge economy with universal access to goods and services. Given historically poor internet penetration, this initiative aims to make available high-speed internet down to the grassroots. This program aims to improve citizen participation in the digital and financial space, make India’s cyberspace safer and more secure,abd improve ease of doing business. Digital India hopes to achieve equity and efficiency in a country with immense diversity by making digital resources and services available in all Indian languages.

• Biotechnology Industry Research Assistance Council (BIRAC): BIRAC is a not-for-profit Public-Sector Enterprise, set up by Department of Biotechnology to strengthen and empower emerging biotechnology enterprises. It aims to embed strategic research and innovation in all biotech enterprises, and bridge the existing gaps between industry and academia. The ultimate goal is to develop high-quality, yet affordable, products with the use of cutting edge technologies. BIRAC has initiated partnerships with several national and global partners for building capacities of the Indian biotech industry, particularly start-ups and SME’s, and has facilitated several rapid developments in medical technology.

• Department of Science and Technology (DST): The DST comprises several arms that work across the spectrum on all major projects that require scientific and technological intervention. The Technology Interventions for Disabled and Elderly, for instance, provides technological solutions to address challenges and improve quality of life of the elderly in India through the application of science and technology. On the other hand, the ASEAN-India Science, Technology and Innovation Cooperation works to narrow the development gap and enhance connectivity between the ASEAN countries. It encourages cooperation in science, technology and innovation through joint research across sectors and provides fellowships to scientists and researchers from ASEAN member states with Indian R&D/ academic institutions to upgrade their research skills and expertise.

• Stand-Up India: Launched in 2015, Stand-Up India seeks to leverage institutional credit for the benefit of India’s underprivileged. It aims to enable economic participation of, and share the benefits of India’s growth, among women entrepreneurs, Scheduled Castes and Scheduled Tribes. Towards this end, at least one women and one individual from the SC or ST communities are granted loans between Rs.1 million to Rs.10 million to set up greenfield enterprises in manufacturing, services or the trading sector. The Stand-Up India portal also acts as a digital platform for small entrepreneurs and provides information on financing and credit guarantee.

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

• Pradhan Mantri Kaushal Vikas Yojana (PMKVY): A flagship initiative of the Ministry of Skill Development & Entrepreneurship (MSDE), this is a Skill Certification initiative that aims to train youth in industry-relevant skills to enhance opportunities for livelihood creation and employability. Individuals with prior learning experience or skills are also assessed and certified as a Recognition of Prior Learning. Training and Assessment fees are entirely borne by the Government under this program.

• National Skill Development Mission: Launched in July 2015, the mission aims to build synergies across sectors and States in skilled industries and initiatives. With a vision to build a ‘Skilled India’ it is designed to expedite decision-making across sectors to provide skills at scale, without compromising on quality or speed. The seven sub-missions proposed in the initial phase to guide the mission’s skilling efforts across India are: (i) Institutional Training (ii) Infrastructure (iii) Convergence (iv) Trainers (v) Overseas Employment (vi) Sustainable Livelihoods (vii) Leveraging Public Infrastructure. Click here to download the framework for implementation.

• Science for Equity Empowerment and Development (SEED): SEED aims to provide opportunities to motivated scientists and field level workers to undertake action-oriented, location specific projects for socio-economic gain, particularly in rural areas. Efforts have been made to associate national labs and other specialist S&T institutions with innovations at the grassroots to enable access to inputs from experts, quality infrastructure. SEED emphasizes equity in development, so that the benefits of technological accrue to a vast section of the population, particularly the disadvantaged.