

Chapter III

*Rural Entrepreneurship: a Theoretical
overview of Growth and Performance of
the Rural Micro, Small and Medium
Manufacturing Enterprises and the
Factors Influencing their Performance*

CHAPTER III

RURAL ENTREPRENEURSHIP: A THEORETICAL OVERVIEW OF GROWTH AND PERFORMANCE OF THE RURAL MICRO, SMALL AND MEDIUM MANUFACTURING ENTERPRISES AND THE FACTORS INFLUENCING THEIR PERFORMANCE

3.1 INTRODUCTION

The Indian Economy is highly dependent on rural economy, as about half of India's population lives in rural areas, where agriculture and allied activities are the main stay of their lives. However, the saturation in the agricultural sector has resulted in the migration of rural workforce to urban areas in search of employment. In this context, rural entrepreneurship plays a pivotal role in the development of rural peoples' livelihoods. As a catalyst of socio-economic transformation, the Micro, Small and Medium manufacturing enterprises play an important role in the Indian rural economy. They have a major share of contribution to the Gross Domestic Product (GDP) in terms of Production, exports and employment. Therefore, the Micro, Small and Medium manufacturing enterprises set up in rural areas facilitate employment opportunity to the rural people and thereby fulfill several economic and social needs such as increasing employment opportunities, diversifying rural occupation, raising income and living standards of rural communities, retard on migration, eliminate regional-economic imbalance and ensure social justice. Thus, the promotion of Small Scale Industries (SSIs) later known as Micro, Small and Medium Enterprises (MSMEs) including Khadi and Village industry and Coir industry have been a major plan of Indian Industrial Policy after Independence as well as in Five Year Plans. These have encouraged to study the rural Micro, Small and Medium manufacturing enterprises and the factors influencing their performance.

3.2 INDUSTRIAL POLICIES FOR THE PROMOTION OF RURAL INDUSTRIES - POST INDEPENDENCE REVIEW

In the Industrial policy of 1948, Small Scale Industries (SSIs) have been given to play a significant role in the national economy, since, industrialization in rural areas has

helped in the utilisation of local resources and has increased the production of essential consumer goods. The need for promoting industrial co-operatives has been stressed in this policy. The Industrial Policy Resolution 1956 has emphasised the role of small scale industries and accordingly, the Government of India has reserved the number of products as 180 for exclusive production to rural industrial sector. In the Industrial policy, 1977 the reserved number of products for exclusive production to rural industries has increased from 180 to 807 to maximise the employment opportunity in rural areas. Moreover, technological change in the traditional sector has also been encouraged in this policy. The policy has also proposed to set up an agency in each district called 'District Industries Centre' to provide assistance for the promotion of rural Small Scale Industries (SSIs).

The new industrial policy of 1980 has strengthened the financial inflows to rural industrial units at district level. The industrial policy of 1990 has assisted large number of artisans to engage in rural industries and has expanded the activities of Khadi and Village Industries Commission. Special marketing organisations have been created at the central and state levels to promote rural industrial products. Agro processing industries have received high priority in credit allocation from financial institutions. The new industrial policy of 1991 has introduced a new scheme of 'Integrated Infrastructural Development' to promote industrialisation in rural and backward areas. The main thrust of this new policy is to impart more viability and growth to employment and exports, by setting up of technology development and export development centre in rural Small Industries Development Organisation (SIDO). The policy has also assisted market promotion of rural Small Scale Industry (SSI) products through co-operatives and public sector institutions.

The comprehensive policy package of SSIs and Tiny sector 2000, has raised the exemption limit of excise duty from Rs.50 lakhs to Rs.1 crore. An amount of Rs. 441 crore has been allotted for the development of Khadi and Village industries. The industrial policy package of SSI 2001-02 has enhanced the investment limit of the Small Scale Industrial Products from Rs.1 Crore to Rs.5 Crores to 41 items. Further, market development assistance scheme, credit linked capital subsidy and technology upgradation in specified industries have been launched exclusively for SSI sector. In the industrial policy 2004-05, the Reserve Bank of India has raised the composite loan limit from Rs.50 lakhs to Rs.1 crore. The policy 2005-06 has emphasized on cluster development

model and to set up incubation centres to promote rural manufacturing enterprises. In spite of all these policy measures, the Government has announced some important measures in the recent years. They are as follows:

- The Integrated Infrastructure Development (IID) Scheme has extended to cover the entire country with 50 percent reservation to rural areas.
- The limit of collateral free loans has increased from Rs. 5 lakhs to Rs. 15 lakhs and up to Rs. 25 lakhs in case of Small Scale Industrial units with a good track record.

Finally, the policy framework underwent changes in accordance with the course of industrial development in the country.

3.3 THE ROLE OF FIVE YEAR PLANS IN THE DEVELOPMENT OF SSIs/MSMEs

During the **First Five Year Plan (1951-1956)**, the rural industries had been complimentary to agriculture. During this plan period, Small Scale Industries Board (SSIB) had been set up in 1954 for the development of small scale industries. Four regional, Small Industries Service Institute (SISI) have been established to provide technical assistance to the rural industries. During the **Second Five Year Plan (1956-1961)**, the Karve committee (1955) has recognized the importance of the small scale industries as a major source of employment. The Khadi and Village Industries Commission had been set up in 1957 as a separate body for the development of Khadi and Village industries. The **Third Five Year Plan (1961-1966)** has emphasized the importance of rural small scale industries. The thrust is to create immediate and permanent employment on a large scale at relatively small capital cost, to meet a substantial part of the increased demand for consumer goods, to facilitate mobilization of resources of capital and skill and to bring about the integrated development of these industries in the rural economy. The **Fourth Five Year Plan (1969-1974)** has proposed to encourage decentralized growth of industries. Besides, the skill and productivity of the people engaged in the small scale sector have been promoted to raise their income levels. The Credit Guarantee scheme of the Reserve Bank of India (RBI) has been liberalized during this plan period. The **Fifth Five Year Plan (1974-1980)** has recognized that, Small Scale Industries (SSIs) play an important role in the removal of regional imbalances. Several measures have been

adopted for the promotion of these industries. District Industries Centres (DIC) has been established during this plan, to coordinate the promotional activities of different agencies working for the development of rural small scale industries. The **Sixth Five Year Plan (1980-1985)** has created a viable structure of rural small industrial sectors, decentralizing and dispersing employment opportunities and establishing a wider entrepreneurial base.

The policies pursued during the **Seventh Five Year Plan (1985-1990)** have aimed at rationalization of fiscal regime to ensure rapid growth of the small industries. In this plan period, the Government has started extending the basic support in terms of functional assistance such as marketing, ancillarisation, credit flow, supply of raw material and critical inputs, technology, training etc. The seventh plan has provided a package of incentives to attract the attention of industries in backward regions. **The Eighth Five Year Plan (1992-1997)** has achieved the increased financial assistance from commercial banks and accordingly, has strengthened the Small Industries Development Bank of India (SIDBI) and National Bank for Agricultural Development (NABARD) for the adequate flow of credit to rural Small Scale Industries. The Plan has proposed to initiate a programme for the development of appropriate technology, technology upgradation and to increase the flow of marketing assistance through agencies. **During the Nineth Five Year Plan (1997-2002)**, the infrastructure facilities under the scheme of Integrated Infrastructure Development Centres (IIDCs), have been provided in backward rural areas with more incentives and financial assistance for the promotion of rural industries. The Government has also set up several Industrial Associations for the transfer and acquisition of the latest technologies. **In the Tenth Five Year Plan (2002-2007)**, many tool rooms and cluster development programmes have been set up in various states to increase production facilities. The National Rural Small Industries Corporation (NRSIC) Ltd. established in 1995, promotes and fasters the growth of rural small industries by providing machinery on hire purchase, equipment on lease, raw material assistance, marketing inputs for domestic and exports, single point registration, technical and managerial assistance. The aim of the **Eleventh Five Year Plan (2007-2012)** has been to attain faster and more inclusive growth. The current **12th Five Year Plan (2012-2017)** aims to achieve “faster, sustainable and more inclusive growth”. For the purpose, it seeks to achieve 4 per cent growth in agricultural sector and

10 per cent in manufacturing sector. The recommendations of the Working Group are vital to support the growth of the MSME sector.

3.4 INSTITUTIONS PROVIDING ASSISTANCE AND SUPPORT TO MICRO, SMALL AND MEDIUM ENTERPRISES

The Micro, Small and Medium Enterprises (MSMEs) sector contributes significantly to an inclusive industrial development of the country. The rural Micro, Small and Medium Manufacturing Enterprises generate large employment opportunities at comparatively lower capital cost, next to agriculture. In accordance with the Government policy of rapid industrialization, a number of institutions have been set up to provide the financial and infrastructural needs of the industrial sector through the Small Industries Development Organisation (SIDO), National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC), Coir Board, National Institute for Micro, Small and Medium Enterprises (NIMSME) and Mahatma Gandhi Institute for Rural Industrialisation (MGIRI). The following are the institutions assisting the Micro, Small and Medium enterprises at national and state level:

Institutions at National Level

Small Industries Development Organisation (SIDO)

Small Industries Development Organisation (SIDO) has been established in 1954. The organization formulates, coordinates, implements and monitors policies and programmes for the promotion and development of the small-scale industries in the country. The SIDO functions through Small Industries Service Institute (SISI), Extension Centre, Regional Testing Centre (RTC), Tool Rooms, Training centre and Production Centre.

National Small Industries Corporation (NSIC)

National Small Industries Corporation (NSIC) is an ISO 9001-2008 certified Government of Indian Enterprise functioning under the Ministry of Micro, Small and Medium Enterprises (MSME). The National Small Industries Corporation (NSIC) Ltd., has been established by the Government of India as a Public Sector Company in 1955. The main function of the Corporation is to promote and foster the growth of Micro, Small and Medium enterprises in the country. The NSIC has provided a variety of support

services to Micro, Small and Medium Manufacturing Enterprises catering to their different requirements in the areas of raw material procurement, product marketing, credit rating, acquisition of technologies, adoption of modern management practices, etc.

National Institute for Micro, Small and Medium Enterprises (NIMSME)

Entrepreneurship development and training are the key elements for the promotion of Micro, Small and Medium enterprises (MSMEs), especially for the new enterprises created by first generation entrepreneurs. To inculcate the entrepreneurial culture among the first generation on a regular basis, the Ministry has set up a National Institute for Micro, Small and Medium Enterprises (NI-MSME) (1960) at Hyderabad, as an autonomous society. The institute has engaged in developing training module, providing consultancy services for entrepreneurship development and promoting of MSMEs including enhancement of their competitiveness.

Mahatma Gandhi Institute for Rural Industrialisation (MGIRI)

The national level institute, namely, Mahatma Gandhi Institute for Rural Industrialization (MGIRI) has been established at Wardha, Maharashtra to strengthen the Research and Development activities in Khadi and Village industry sectors. The main function of the Institute is to improve the R&D activities under rural industrial sector through research, extension of R&D, quality control, training and dissemination of technology related information.

National Board for Micro, Small and Medium Enterprises (NB MSME)

The National Board for Micro, Small and Medium Enterprises (NBMSME) has been established by the Government under the Ministry of Micro, Small and Medium Enterprises Development Act, 2006. It examines the factors affecting the promotion and development of MSMEs, reviews existing policies and programmes, and makes recommendations to the Government in formulating policies and programmes for the growth of MSMEs.

Khadi and Village Industries Commission (KVIC)

For the development of rural industries, the Khadi and Village Industries Commission has been set up in the year 1957. Many of these industries have been in

operation in the rural areas for creation of employment opportunities to rural artisans at a very low per capita investment. The KVIC provides grants, subsidies and loans at a low rate of interest. It also provides raw materials and assists in marketing of the products. It pays special attention to the training of artisans and supervisory personnel.

Coir Industry and Board

Coir Industry is an agro-based traditional industry, which has originated in the state of Kerala and has propagated to the other coconut producing states namely, Tamil Nadu, Karnataka, Andhra Pradesh, Odisha, West Bengal, Maharashtra, Assam and Tripura. It is an export oriented industry and has a great potential to enhance exports by value addition through technological interventions and diversified products like Coir Geo textiles, Coir Pith, Coir Composites etc. The acceptability of Coir product has increased rapidly due to its 'environment friendly' image. The Coir Board is a statutory body, established under the Coir Industry Act 1953, for promoting the overall development of the coir industry and improving the living conditions of the workers engaged in this traditional industry. The coir board has also promoted co-operative organisations among producers of husks, coir fibre, and coir yarn by ensuring remunerative returns to them. The Board has also promoted two research institutes namely, Central Coir Research Institute (CCRI), Kalavoor, Alleppey and Central Institute of Coir Technology (CICT), Bengaluru for undertaking research activities on different aspects of coir industry. Moreover, Tamil Nadu is the leading brown fibre producer in India and is the major exporter of coir in the world.

Institutions at State level

Directorate of Industries

The Directorate of Industries is the executive agency for the promotion and development of the village and small industries sector. It acts under the overall guidance of SIDO. Its functions are of both regulatory and development in nature. The Directorate of Industries has a network of District Industries Centers (DIC) at the district level, industrial officers at the sub-divisional level and extension officers at the block level functioning under its control.

District Industries Centre (DIC)

The District Industries Centre (DIC) plays an imperative role in promoting industries at the District level. The services rendered by the DICs include identification of prospective entrepreneurs to take up viable projects, issue of SSI registration certificates, maintenance of SSI database, recommendation of technical feasibility reports to various financial institutions, allotment of industrial land in industrial development areas, development of plots, industrial estates, mini industrial estates, arrangement of entrepreneurship development training, recommendation of various incentives as per the industrial policy of the State Government. The DICs work in close collaboration with the organizations concerned for the development of rural economy as a whole including Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self-Employment (TRYSEM), National Rural Employment Programme (NREP), Jawahar Rozgar Yojana (JRY) and Prime Minister Rozgar Yojana (PMRY).

Tamil Nadu Small Industries Development Corporations (TANSIDCO)

The Small Industries Development Corporation Limited has been set up by Government of Tamil Nadu in 1971 with the specific objective of playing a catalytic role in the promotion and development of small-scale industries and accelerating the industrial dispersal in rural and backward areas of the state.

Tamil Nadu Industrial Development Corporation (TIDCO)

The Tamil Nadu Industrial Development Corporation (TIDCO), incorporated as a Limited Company in the year 1965, is a Governmental agency in the state of Tamil Nadu, India. It is responsible for the development of industries in the state by formulating policies that help industry growth, and by establishing industrial estates in association with the private sector.

Tamil Nadu Industrial Investment Corporation Limited (TIIC)

The Tamil Nadu Industrial Investment Corporation Limited is an apex state level financial institution primarily intended for assisting the small and medium scale industrial units. The TIIC provides loans to acquire fixed assets as well as provides assistance for expansion, modernisation and diversification of small and medium units. TIIC also acts as a

nodal agency to various subsidy schemes in the state. Under the Mahila Udyam Nidhi scheme, the TIIC provides loans to first generation women entrepreneurs to set up small-scale units. Under the single window scheme, the TIIC meets the complete financial requirements of both equipment finance and working capital of small-scale industries.

In addition to the central and state Government agencies, industry associations also impart institutional support to the small-scale sector. Industry associations provide SSIs with a common platform to raise industry-related issues and to initiate co-operative efforts for promoting the SSI.

Micro, Small and Medium Enterprises Development Act 2006

The Micro, Small and Medium Enterprises Development (MSMED) Act 2006, has notified to address the different issues affecting Micro, Small and Medium Enterprises. The MSMED Act seeks to facilitate the development of these enterprises and also to enhance their competitiveness in the market. The MSMED Act, 2006 provides the first-ever legal framework for recognition of the concept “enterprise” which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, Micro, Small and Medium enterprises. The act empowers the Central Government to undertake programmes, issue guidelines and instructions to develop and to enhance the competitiveness of MSMEs.

Registration Process: Entrepreneur Memorandum Filing

Entrepreneur Memorandum (EM) part-I filing has been considered as one of the main documents for recognition to obtain incentives and concessions from Government and Government agencies. After the commencement of the production, EM part II filing and getting acknowledgement from DIC is essential. This acknowledgement has helped the entrepreneur in getting all the incentives and subsidies eligible to them. Further, concession in duty while importing capital goods can also be obtained. At present, filing of EM-II is discretionary for Micro, Small and Medium enterprises engaged in both manufacturing and services. However, it is mandatory for medium scale enterprises engaged in manufacturing or production of goods pertaining to any industry specified in

the First Schedule of the Industries and Regulation Act, 1951. It is observed that, since 2007-08, the MSME units have shown a consistent growth in recording Entrepreneur Memorandum-II filing (DIC, Coimbatore 2015-16)

Udyog Aadhar Memorandum (UAM)

Since September, 2015 Udyog Aadhar Memorandum (UAM), an online filing system has been introduced to promote ease of doing business. It is a one-page simple registration form filing online and is user friendly. The Micro, Small and Medium manufacturing enterprises can file more than one Udyog Aadhar with same Aadhaar Number. It can be filed by the Micro, Small and Medium manufacturing enterprises on self declaration basis. There is no documentation and registration fee required for filing.

Table 3.1: Details of Udyog Aadhaar memorandum filed and registered, Coimbatore

District Name	Total	Micro	Small	Medium
Total Units registered under UAM	11316	9412	1866	38
Manufacturing Units	6027	4883	1123	21
Service Units	5287	4528	742	17

(Source: District Industrial profile, Coimbatore 2015-16)

From the table, it is clear that, out of 11,316 Micro, Small and Medium enterprises functioning in the district, manufacturing enterprises have filed more number of UAMs than the service enterprises.

3.5 SCHEMES

The development of rural entrepreneurship has become an important aspect in the economic policy. The Government of India has continuously assigned increasing importance and support for the promotion and growth of rural entrepreneurship. In order to encourage more and more rural manufacturing enterprises in the MSME sector, several schemes have been formulated by the Ministry. The following are the important schemes available for the rural Micro, Small and Medium manufacturing enterprises.

Central level Schemes

Prime Minister's Employment Generation Programme (PMEGP)

Prime Minister's Employment Generation Programme (PMEGP) is a credit linked subsidy scheme for setting up of new micro-enterprises and to generate employment opportunities in rural areas of the country. The margin money subsidy is 25 per cent for general category and 35 per cent for the special categories such as SC/ ST/ OBC/ Minorities/Women, Ex-servicemen, Physically handicapped, North Eastern Region, Hill and Border areas, etc., The maximum cost of the projects is Rs.25 lakh in the manufacturing sector.

Performance and Credit Rating Scheme

The purpose of rating scheme is to provide a trusted third party opinion on the capabilities and creditworthiness of Micro and Small enterprises (MSEs), and also to create awareness amongst MSEs about the strengths and weakness of their existing operations.

Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTSMSE)

The Ministry of Micro, Small and Medium Enterprises, and Small Industries Development Bank of India (SIDBI) have jointly established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTSMSE). The objective is to implement Credit Guarantee Scheme for Micro and Small Enterprises. The corpus of CGTSMSE has been contributed by Government of India and SIDBI. 75 per cent of the loan amount to the bank has been guaranteed by the Trust Fund.

Development of Khadi, Village and Coir industries

- **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)** has been launched in 2005-06 to make traditional Industries to be more productive and competitive by organizing the Traditional Industries and artisans into clusters.
- **A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship (ASPIRE)** has been launched in 2015, to promote Innovation and Rural Entrepreneurship through rural Livelihood Business Incubator (LBI), Technology Business Incubator (TBI) and Fund of Funds for start-up creation.

- **Market Promotion Development Assistance (MPDA)** – MDA scheme of KVIC has been modified as MPDA scheme formulated as a unified scheme by merging different schemes implemented by the Khadi sector namely, Market Development Assistance, Publicity, Marketing and Market Promotion.
- **Interest Subsidy Eligibility Certificate (ISEC)** Scheme provides credit at concessional rate of interest through Banks as per the requirement of the Khadi institutions. The institutions are required to pay interest of only 4 per cent and any interest charged by banks over 4 per cent has been paid by Central Government through KVIC.
- **Coir Udyami Yojana** (formerly known as REMOT Scheme) is a credit linked subsidy scheme, which provides assistance for setting up of coir units with a maximum project cost up to Rs.10 lakhs plus working capital and shall not exceed 25 per cent of the project cost. The pattern of assistance is 40 per cent as Government subsidy, 55 per cent as loan from Banks and 5 per cent as beneficiary contribution.
- **Mahila Coir Yojana** is an exclusive skill development programme for rural women artisans in coir sector. Training is provided in spinning of coir yarn and various coir processing activities. The scheme envisages distribution of motorized ratts and other coir processing equipments at 75 per cent subsidy, subject to a maximum amount of Rs.7500 on successful completion of the training programme. During the training period, the women artisans have been given a stipend amounting to Rs.1000 per month. Coir Vikas Yojana also includes Skill Development & Training Programme in coir sector, Domestic and Export Market Promotion and Development of Production Infrastructure.
- **Export Market Promotion (EMP)**

Coir Board is implementing Export Market Promotion to enhance the export performance of Indian Coir Sector through various export market promotion activities such as sponsoring delegations, participation in seminars and conferences, participation in international fairs, extending financial assistance to

Micro, Small and Medium Enterprises exporters and presenting Coir Industry Awards on an annual basis to recognize the outstanding performance in the areas of export, domestic trade, R&D and functioning of units and societies.

- **Coir Industry Technology Upgradation Scheme (CITUS)**

The scheme assists the entrepreneurs for procurement of eligible Plant and Machinery for modernization and upgradation in the coir sector.

Entrepreneurship and Skill Development Programme

The assistance is provided to National level training institutions operating under the Ministry of MSME, namely, NIMSME, KVIC, Coir Board, Tool Rooms, NSIC & MGIRI in the form of capital grant for the creation and strengthening of infrastructure, support for entrepreneurship development and skill development training programmes. Assistance has also been provided to those State level EDIs that enter into partnership with NIMSME for capacity development and for undertaking studies and research on MSME issues. The scheme also provides research grant upto Rs 15 lakhs on MSME issues.

Micro and Small Enterprises Cluster Development (MSE-CDP)

The Ministry of MSME has adopted cluster development approach to enhance productivity and competitiveness as well as capacity building of Micro and Small enterprises. The Scheme supports financial assistance for the establishment of Common Facility Centres (CFCs) for testing, training centres, R&D, Effluent Treatment, raw material depot, complementing production processes etc.

State level Schemes

The following subsidies have been extended to rural Micro, Small and Medium Manufacturing Enterprises in Tamil Nadu:

- 15 per cent capital subsidy on the value of eligible plant and machinery subject to a maximum of Rs.30 lakh.
- 5 per cent additional employment intensive subsidy on the value of eligible plant and machinery for providing employment to 25 workers for 3 years within the first 5 years from the date of commencement of commercial production, subject to a maximum of Rs.5 lakh.

- 5 per cent additional capital subsidy on the value of eligible plant and machinery for enterprises set up by women, SC /ST, differently-able and transgender entrepreneurs subject to a maximum of Rs.2 lakh.
- 25 per cent additional capital subsidy on the value of eligible plant and machinery installed to promote cleaner and environment friendly technologies subject to a maximum of Rs.3 lakh, if certified by the Tamil Nadu Pollution Control Board.
- 20 per cent Low Tension Power Tariff (LTPT) subsidy for the first 36 months from the date of commencement of commercial production or from the date of power connection whichever is later after allotment of an Entrepreneur Memorandum- II number from the District Industries Centre.
- The marketing support has been extended by the State Government to Micro and Small manufacturing enterprises by allowing waiver of Tender Fee, Earnest Money Deposit for participation in tenders, granting 50 per cent of hall rent for participation in exhibitions within the 29 States and also in other States by MSME Associations, and also extend support for marketing under a common banner or brand name.
- A Special Capital Subsidy of 25 per cent on the eligible plant and machinery subject to a maximum of Rs.30 lakh has been extended to 13 thrust sector enterprises namely, Electrical and Electronic Industry, Leather goods, Auto parts and components, Drugs and Pharmaceuticals, Solar Energy Equipment, Gold and Diamond Jewellery for exports, Pollution Control equipments, Sports Goods and Accessories, Cost effective building materials, Readymade Garments, Food Processing, Plastic and Rubber Industries, setup anywhere in the State.
- Micro, Small and Medium manufacturing enterprises located anywhere in the State, which purchase Generator sets up to 320 KVA capacity are eligible for a Generator Subsidy at the rate of 25 per cent of the cost of the generator set, subject to a maximum of Rs.5 lakh.
- Back-ended interest subsidy at the rate of 3 per cent, subject to a maximum of Rs.10 lakhs for a period of 5 years has been provided to Micro, Small and Medium Manufacturing Enterprises. Term loans up to Rs.1 crore has also been provided for Technology up-gradation and modernization.

Special Schemes for aspiring Entrepreneurs in Tamil Nadu

The Government of Tamil Nadu has implemented two schemes exclusively for the benefit of Youth, namely “Unemployed Youth Employment Generation Programme (UYEGP)” and “New Entrepreneur cum Enterprises Development scheme (NEEDS)”.

Unemployed Youth Employment Generation Programme (UYEGP):

The Government of Tamil Nadu has introduced a scheme called Unemployed Youth Employment Generation Programme (UYEGP) with an objective of mitigating the unemployment problems of socially and economically weaker sections of the society. Under the scheme, the youth shall set up a manufacturing enterprise to a project cost up to Rs.5 lakhs, along with subsidy assistance of the State Government up to 25 per cent of the project cost. The youth under general category has to contribute 10 per cent of the Project cost and under special category (BC/MBC/SC/ST/Minority/Ex-serviceman/Transgender) has to contribute 5 per cent of the Project cost.

New Entrepreneur cum Enterprises Development scheme (NEEDS)

The NEEDs, new scheme has been implemented in 2012 to assist educated youth to become first generation entrepreneurs. The selected entrepreneurs have been given assistance to prepare their business plans and help to tie up with financial institutions and to set up their new business ventures. The youth have also been assisted with a capital subsidy at the rate of 25 per cent of the project cost (not exceeding to Rs.25 lakhs) and with 3 per cent interest subvention on bank loan by the Government.

Prime Minister Employment Generation Programme (PMEGP)

The Centrally sponsored Prime Minister Employment Generation Programme (PMEGP) has also been implemented in Tamil Nadu to empower entrepreneurs for setting up of micro enterprises. The scheme provides loan assistance of Rs.25 lakhs for setting up of manufacturing enterprises. The DICs has been one among the implementing agencies.

3.6 GROWTH AND PERFORMANCE OF THE RURAL MICRO, SMALL AND MEDIUM MANUFACTURING ENTERPRISES

Growth of the MSME Sector

As per the Sixth Economic Census (2013), 58.5 million establishments have been found to be in operation, out of which 34.8 million establishments (59.48 per cent) are found in rural areas which is higher than 2005 economic census (49.82 per cent). Nearly 23.7 million establishments (40.52 per cent) are found to be located in urban areas. As per Fourth All India census of MSMEs (2006-07), around 60 per cent of Micro, Small and Medium manufacturing enterprises are located in rural areas and 40 per cent are located in urban areas. As per NSS 73rd round 2015-16, out of 633.88 lakhs estimated numbers of MSMEs, 324.88 lakh MSMEs (51.25 per cent) are functioning in rural areas and 309 lakh MSMEs (48.75 per cent) are functioning in urban areas.

Table 3.2: Distribution of enterprises in India (in lakhs)

Sector	Micro	Small	Medium	Total	Share
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

(Source: MSME Annual report 2017-18)

The above table clearly shows that the distribution of Micro, Small and Medium enterprises in rural areas are higher than the urban areas of the country. Among the enterprises in rural areas, Micro enterprises are highly established, followed by Small enterprises and Medium enterprises.

Table 3.3: Employment in MSME sector in India

Broad Activity category	Employment in lakhs			Share (%)
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.41	32
Trading	160.64	226.54	387.18	35
Other services	150.53	211.69	362.22	33

(Source: MSME Annual report 2017-18)

From the above table, it is understood that, the rural manufacturing enterprises create more employment opportunities than the urban manufacturing enterprises.

Table 3.4: Comparative Analysis of Fourth All India MSME Census (2006-07) and NSS 73rd Round (2015-16)

Parameter	NSS 73rd round, 2015-16	Fourth All India census of MSMEs, 2006-2007	Annual Compounded Growth rate (%)
No. of MSMEs	633.88	361.76	6.43
Manufacturing	196.65	115.00	6.14
Employment	360.42	320.03	1.33

(Source: MSME Annual report 2017-18)

The above table indicates that, compared to Fourth All India census of MSMEs, 2006-2007, National Sample Survey (NSS) 73rd round 2015-16 have more number of Micro, Small and Medium Manufacturing Enterprises which have created more number of employment opportunities.

Performance of Micro, Small and Medium Manufacturing Enterprises

Table 3.5: Contribution of MSME Sector in the Gross Domestic Product (GDP)

Year	MSME manufacturing output (Rs. in crore)	Share of MSME sector in total GDP (%)		Share of MSME manufacturing output in total manufacturing output (%)
		MSME Manufacturing sector	Total	
2011-2012	2167110	6.16	29.97	33.12
2012-2013	2385248	6.27	30.40	33.22
2013-2014	2653329	6.27	30.64	33.27
2014-2015	2783433	6.11	30.74	33.40

(Source: MSME annual report 2016-17)

From the above table, it is clear that the contribution of MSMEs in GDP is 6 per cent and 33 per cent in manufacturing sector. It shows the valuable contribution that the MSME sector is making in the economy in terms of manufacturing sector.

3.7 FACTORS INFLUENCING THE PERFORMANCE OF RURAL MICRO, SMALL AND MEDIUM MANUFACTURING ENTERPRISES

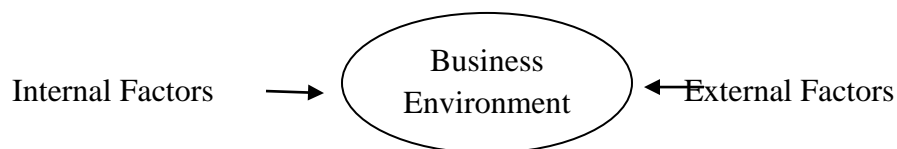
Motivational factors (Intrinsic and Extrinsic)

Motivational factors can be intrinsic arising from internal factors or extrinsic arising from external factors. Shane et al. (2003) opined that, motivation has an influence on the performance of an enterprise. Among the theories of motivation of entrepreneurship, McClelland's theory of the need for achievement is prominent. According to McClelland's theory, individuals who have strong desire to achieve in their business have succeeded better than others. As a result, the entrepreneurs who have passion for entrepreneurship have been significantly valued as motivator (Hisrich & Brush, 1985; Swierczek & Ha, 2003).

Business environment

Business environment is always in a dynamic state and several interrelated factors influence the performance of business enterprises. The business enterprises which are ready to adapt to the environmental changes can minimize risk and uncertainty, and thereby ensure business success. The survival and success of an enterprise depends on two sets of factors, namely, the Internal environmental factors and the External environmental factors. These factors have direct and indirect influence over the business enterprises. Hence, it is important to study the various components of the business environmental factors that influence the performance of rural Micro, Small and Medium Manufacturing Enterprises.

Types of Business Environmental factors



Internal environmental factors

Internal environmental factors are intrinsic to a business. These factors can be described as those internal controllable forces operating within the organization itself that have a direct impact on an organization's performance. The internal environment includes factors such as the value system, the mission and objectives of a business and the physical resources which influence the performance of an enterprise.

External environmental factors

The external environment consists of factors which provide opportunities and threats to an enterprise. These include micro environment and macro environmental factors.

Micro environment

Micro environmental factors have a direct influence on the operations of an enterprise. These include customers, suppliers, competitors, marketing intermediaries and the general public which affect the day-to-day working and performance of an enterprise.

Macro environment

Macro environmental factors have an indirect influence on the operations of an enterprise. The macro environmental factors are less controllable than the micro factors. Therefore, the success of an enterprise depends on its ability to adapt to the macro environmental factors. These include political environment, legal environment, socio-cultural environment, technological environment and economic environment which are uncontrollable in nature and affect the business enterprises.

3.8 CHALLENGES FACED BY THE MICRO, SMALL, MEDIUM MANUFACTURING ENTERPRISES

Despite the huge potential, the rural manufacturing enterprises face several challenges. A few are inadequacies in capital, technology, skilled labourers and marketing. The number of unregistered units are higher than the number of registered units (NMCC, 2010). According to the Fourth All India MSME Census 2006-2007, the Government of India has revealed that about 29.40 per cent of the total units have suffered from sickness and about 3.73 per cent of enterprises have suffered from incipient sickness. The following table describes the problems of rural Micro, Small and Medium manufacturing enterprises:

Table 3.6: Reasons for sickness

S. No.	Reason for sickness	Proportion of sick units (per cent)
1	Lack of demand	41.94
2	Shortage of working capital	20
3	Non-availability of raw material	5.11
4	Power shortage	5.71
5	Labour problems	5.64
6	Marketing problems	11.48
7	Equipment problems	3.17
8	Management problems	6.46

(Source: Ministry of Micro, Small and Medium Enterprises (2011a), Government of India, Fourth All-India census 2006-2007)

The above table has clearly stated that, lack of demand has been the major problem faced by rural Micro, Small and Medium manufacturing enterprises due to technological backwardness followed by shortage of working capital, management problem, marketing problem, power shortage, labour problem and equipment problems.

3.9 CONCLUSION

In a labour surplus rural economy, the need for policies and programmes to promote employment generation is of paramount importance. Manufacturing sector has an imperative role for the creation of increasing employment opportunities in the forthcoming decades. Hence, the Government has accorded utmost importance for the growth of these industries through Five year plans and Industrial policies. The rural Micro, Small and Medium Manufacturing Enterprises account for the major share of industrial units, which provide employment opportunities to rural workforce next to agriculture. Therefore, the robust growth of the manufacturing sector is ensured with favourable business environmental factors along with the motivational factors for creating the overall growth and employment possibilities in the economy.