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SCHOOL OF MANAGEMENT STUDIES

UNIT – I – Entrepreneurship Development – SBAX1024

UNIT I: INTRODUCTION

Entrepreneurship- Meaning- types qualities of an entrepreneur – classification of entrepreneurs- factors influencing entrepreneurship- functions of entrepreneurs.

Meaning of Entrepreneurship:

The word "entrepreneur" is derived from the French verb "enterprendre", which means 'to undertake'. This refers to those who "undertake" the risk of new enterprises. An enterprise is created by an entrepreneur. The process of creation is called "entrepreneurship". Entrepreneurship is a process of actions of an entrepreneur who is a person always in search of something new and exploits such ideas into gainful opportunities by accepting the risk and uncertainty with the enterprise.

Definition:

"The activity of setting up a business or businesses, taking on financial risks in the hope of profit".

In economics, "entrepreneurship combined with land, labor, natural resources and capital can produce profit. Entrepreneurial spirit is characterized by innovation and risk-taking, and is an essential part of a nation's ability to succeed in an ever changing and increasingly competitive global marketplace".

Types of Entrepreneurs:

Depending upon the level of willingness to create innovative ideas, there can be the following types of entrepreneurs:

1. Innovative entrepreneurs:

These entrepreneurs have the ability to think newer, better and more economical ideas of business organization and management. They are the business leaders and contributors to the economic development of a country.

Inventions like the introduction of a small car 'Nano' by Ratan Tata, organized retailing by Kishore Biyani, making mobile phones available to the common may by Anil Ambani are the works of innovative entrepreneurs.

2. Imitating entrepreneurs:

These entrepreneurs are people who follow the path shown by innovative entrepreneurs. They imitate innovative entrepreneurs because the environment in which they operate is such that it does not permit them to have creative and innovative ideas on their own. Such entrepreneurs are found in countries and situations marked with weak industrial and institutional base whichcreates difficulties in initiating innovative ideas.

3. Fabian entrepreneurs:

The dictionary meaning of the term 'fabian' is 'a person seeking victory by delay rather than bya decisive battle'. Fabian entrepreneurs are those individuals who do not show initiative in visualizing and implementing new ideas and innovations wait for some development which would motivate them to initiate unless there is an imminent threat to their very existence.

4. Drone entrepreneurs:

The dictionary meaning of the term 'drone' is 'a person who lives on the labor of others'. Drone entrepreneurs are those individuals who are satisfied with the existing mode and speed of business activity and show no inclination in gaining market leadership. In other words, drone entrepreneurs are die-hard conservatives and even ready to suffer the loss of business.

5. Social Entrepreneur:

Social entrepreneurs drive social innovation and transformation in various fields including education, health, human rights, workers' rights, environment and enterprise development.

<u>Qualities of a successful entrepreneur:</u>

1. Disciplined:

These individuals are focused on making their businesses work, and eliminate any hindrances or distractions to their goals. They have overarching strategies and outline the tactics to accomplish them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

2. Confidence:

The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.

3. Open Minded:

Entrepreneurs realize that every event and situation is a business opportunity. Ideas are constantly being generated about workflows and efficiency, people skills and potential new businesses. They have the ability to look at everything around them and focus it toward their goals.

4. Self Starter:

Entrepreneurs know that if something needs to be done, they should start it themselves. They set the parameters and make sure that projects follow that path. They are proactive, not waiting for someone to give them permission.

5. Competitive:

Many companies are formed because an entrepreneur knows that they can do a job better than another. They need to win at the sports they play and need to win at the businesses that they create. An entrepreneur will highlight their own company's track record of success.

6. Creativity:

One facet of creativity is being able to make connections between seemingly unrelated events or situations. Entrepreneurs often come up with solutions which are the synthesis of other items. They will repurpose products to market them to new industries.

7. Determination:

Entrepreneurs are not thwarted by their defeats. They look at defeat as an opportunity for success. They are determined to make all of their endeavors succeed, so will try and try again until it does. Successful entrepreneurs do not believe that something cannot be done.

8. Strong people skills:

The entrepreneur has strong communication skills to sell the product and motivate employees. Most successful entrepreneurs know how to motivate their employees so the business grows overall. They are very good at highlighting the benefits of any situation and coaching others to their success.

9. Strong work ethic:

The successful entrepreneur will often be the first person to arrive at the office and the last one to leave. They will come in on their days off to make sure that an outcome meets their expectations. Their mind is constantly on their work, whether they are in or out of the workplace.

10. Passion:

Passion is the most important trait of the successful entrepreneur. They genuinely love theirwork. They are willing to put in those extra hours to make the business succeed because there isa joy their business gives which goes beyond the money. The successful entrepreneur will always be reading and researching ways to make the business better.

Classifications of entrepreneurs are as follows:

(1) According to the Type of Business:

(i) Business entrepreneur: Business entrepreneurs are those entrepreneurs who conceive the idea of a new product or service and then translate their ideas into reality. Entrepreneur examines the various possibilities of sources of finance, supply of labour, raw-materials or finished productas the case may be.
Business entrepreneur may be undertaking the trading business or manufacturing business but initially the size of the business is very small. As the entrepreneur flourishes, he tends to expand his business.

(ii) Trading entrepreneur: As the very name indicates trading entrepreneur is concerned with trading activities and not manufacturing. Trading means buying the finished product from the producer and selling off to the customer directly or through a retailer.
A trading entrepreneur has to be creative enough as he has to identify the market. He has to identify potential market, create demand through extensive advertisement of his product and thus inspire people to buy his product. For this is inevitable for him to find out the desires, tastes and choices of his customer in domestic as well as international market.

(iii) Industrial entrepreneur: As the very name indicates, an industrial entrepreneur is one who sets up an industrial unit. He perceives the opportunity to set up his unit, complies with necessaryformalities of getting license, power connection, pollution control clearance (if the need be) arrange initial capital, providing securities and guarantees to the financial institutions, making payment of wages and supply necessary technical know-how. An industrial entrepreneur has the ability to convert economic resources and technology into a considerably profitable venture. Manufacturer of leather products, textiles, electronics, food items and the like are industrial entrepreneurs.
(iv) Corporate entrepreneur: Corporate entrepreneur is the one who plans, develops and manages a corporate body. He is a promoter, an essential part of board of directors, an owner

as
well as an entrepreneur. He gets his corporate body registered under the requisite Act whichgives his company the status of separate legal entity.

(v) Agricultural entrepreneur: Agricultural entrepreneur is the one who is engaged in the agricultural activities. He uses latest technology to increase the productivity of agriculture and also adopts mechanization.

(2) According to Motivation:

(i) Pure entrepreneur: Pure entrepreneur is one who may or may not possess an aptitude for entrepreneurship but is tempted by the monetary rewards or profits to be earned from the business venture. He is status-conscious and wants recognition.

(ii) Induced entrepreneur: Induced entrepreneur is attracted by the various incentives, subsidiesand facilities offered by the government. 'An entrepreneur is not born' —this is no doubt true as every person can be trained to become a good entrepreneur. Most of the entrepreneurs who enter into business are induced entrepreneur as various kinds of financial, technical and managerial facilities are provided by the government to promote entrepreneurship. An entrepreneur can develop himself much more by attending EDPs and they can make a stand in the market. Import restrictions, allocation of production quotas to SSIs, reservation of products for small industry etc. have forced many young people to set up a small industry.

Non-Resident Indians (NRIs) and educated unemployed seeking self-employment or newly married bridegrooms by taking financial support of their in-laws may be described as induced entrepreneur. This class of entrepreneur accounts for maximum number of failures because there is no proper screening of misfits.

(3) According to the Use of Technology:

(i) Technical entrepreneur: The strength of a technical entrepreneur is in his skill in productiontechniques. He concentrates more on production than on marketing. He possesses craftsman skillin himself which he applies to develop and to improve the technical aspect of the product.

(ii) Non-technical entrepreneur: Unlike technical entrepreneur, non-technical entrepreneur is not concerned with the technical aspect of the product rather he spends more time in developing alternative strategies of the marketing and distribution to promote his business. His target is not to change the production technique but how to increase the demand of the product in which he is dealing.

(iii) Professional entrepreneur: Professional entrepreneur means an entrepreneur who is interested in floating a business but does not want to manage or operate it. Once the business is established, he sells it out and catches on to float a new business.

(4) According to Stages of Development:

(i) First generation entrepreneur: First generation entrepreneur are those entrepreneurs who donot possess any entrepreneurial background. They start an industrial unit by means of their own innovative skills.

(ii) Second generation entrepreneur: Second generation entrepreneur are those entrepreneurs who inherit the family business firms and pass it from one generation to another.

(iii) Classical entrepreneur: A classical entrepreneur is a stereotype entrepreneur whose aim is to maximize his economic returns at a level consistent with the survival of the unit but with or without an element of growth.

(5) According to Capital Ownership:

(i) Private entrepreneur: When an individual or a group of individuals set up an enterprise, arrange finance, bear the risk and adopt the latest techniques in the business with the intention to earn profits, he or the group is called us private entrepreneur/entrepreneurs.

(ii) State entrepreneur: As the name indicates, state entrepreneur means the trading or industrial venture undertaken by the state or the government itself.

(iii) Joint entrepreneur: Joint entrepreneur means the combination of private entrepreneur and state entrepreneur who join hands.

(6) According to Gender and Age:

(i) Man entrepreneur

(ii) Woman entrepreneur

(iii) Young entrepreneur

(iv) Old entrepreneur

(v) Middle-aged entrepreneur

(7) According to Area:

(i) Urban entrepreneur

(ii) Rural entrepreneur

(8) According to Scale:

(i) Large scale industry entrepreneur

(ii) Medium scale industry entrepreneur

(i) Small scale industry entrepreneur

(ii) Tiny industry entrepreneur.

Factors influencing Entrepreneurship:

Entrepreneurship is a complex phenomenon influenced by the interplay of a wide variety offactors.

Some of the important factors are listed below:

1. Personality Factors:

Personal factors, becoming core competencies of entrepreneurs, include:

(a) Initiative (does things before being asked for)

(b) Proactive (identification and utilization of opportunities)

(c) Perseverance (working against all odds to overcome obstacles and never complacent withsuccess)

(d) Problem-solver (conceives new ideas and achieves innovative solutions)

(e) Persuasion (to customers and financiers for patronization of his business and develops &maintains relationships)

(f) Self-confidence (takes and sticks to his decisions)

(g) Self-critical (learning from his mistakes and experiences of others)
(h) A Planner (collects information, prepares a plan, and monitors performance)

(i) Risk-taker (the basic quality).

2. Environmental factors:

These factors relate to the conditions in which an entrepreneur has to work. Environmental factors such as political climate, legal system, economic and social conditions, market situations, etc. contribute significantly towards the growth of entrepreneurship. For example, politicalstability in a country is absolutely essential for smooth economic activity.

Frequent political protests, bandhs, strikes, etc. hinder economic activity and entrepreneurship. Unfair trade practices, irrational monetary and fiscal policies, etc. are a roadblock to the growth of entrepreneurship. Higher income levels of people, desire for new products and sophisticated technology, need for faster means of transport and communication, etc. are the factors that stimulate entrepreneurship.

Thus, it is a combination of both personal and environmental factors that influence entrepreneurship and brings in desired results for the individual, the organization and the society.

Functions of an Entrepreneur:

The important functions performed by an entrepreneur are listed below:

1. Innovation:

An entrepreneur is basically an innovator who tries to develop new technology, products, markets, etc. Innovation may involve doing new things or doing existing things differently. An entrepreneur uses his creative faculties to do new things and exploit opportunities in the market. He does not believe in status quo and is always in search of change.

2. Assumption of Risk:

An entrepreneur, by definition, is risk taker and not risk shirker. He is always prepared for assuming losses that may arise on account of new ideas and projects undertaken by him. This willingness to take risks allows an entrepreneur to take initiatives in doing new things and marching ahead in his efforts.

3. Research:

An entrepreneur is a practical dreamer and does a lot of ground-work before taking a leap in his ventures. In other words, an entrepreneur finalizes an idea only after considering a variety of options, analyzing their strengths and weaknesses by applying analytical techniques, testing their applicability, supplementing them with empirical findings, and then choosing the best alternative. It is then that he applies his ideas in practice. The selection of an idea, thus, involves the application of research methodology by an entrepreneur.

4. Development of Management Skills:

The work of an entrepreneur involves the use of managerial skills which he develops while planning, organizing, staffing, directing, controlling and coordinating the activities of business. His managerial skills get further strengthened when he engages himself in establishing equilibrium between his organization and its environment.

However, when the size of business grows considerably, an entrepreneur can employ professional managers for the effective management of business operations.

5. Overcoming Resistance to Change:

New innovations are generally opposed by people because it makes them change their existing behavior patterns. An entrepreneur always first tries new ideas at his level.
It is only after the successful implementation of these ideas that an entrepreneur makes these ideas available to others for their benefit. In this manner, an entrepreneur paves the way for the acceptance of his ideas by others. This is a reflection of his will power, enthusiasm and energy which helps him in overcoming the society's resistance to change.

6. Catalyst of Economic Development:

An entrepreneur plays an important role in accelerating the pace of economic development of a country by discovering new uses of available resources and maximizing their utilization.

<u>Questions to practice:</u>

PART – A - 2 Marks

1. Define the term Entrepreneur.
2. State the critical elements of entrepreneur.
3. Identify the common myths on entrepreneur.
4. The social responsibility is a part of entrepreneur – comment.
5. Discover the term entrepreneurship.
6. Connect the relationship between entrepreneur and entrepreneurship.
7. Point out the term technical entrepreneur and non-technical entrepreneur.
8. Sketch the barriers of entrepreneurship.
9. Dramatize the qualities of entrepreneurship.
10. Discriminate the differences between Entrepreneur and Intrapreneur.

PART – B - 10 Marks

1. Evaluate the functions of an entrepreneur.
2. Categorize the functions of a manager and an entrepreneur.
3. Appraise the different types of entrepreneurs as per their uniqueness.
4. Prioritize the characteristics of an entrepreneur in detail.
5. Recommend the various factors that motivate an individual to become an entrepreneur.

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SCHOOL OF MANAGEMENT STUDIES

UNIT – II – Entrepreneurship Development – SBAX1024

UNIT II: ENTREPRENEURIAL DEVELOPMENT

Agencies -Commercial banks- District Industries Centre – National Small Industries Corporation – Small Industries Development Organization – Small Industries Service Institute. All India Financial Institutions – IDBI-IFCI-ICICI- IRDBI.

Entrepreneurial Development – Concept:

It meant to develop entrepreneurial abilities among the people. In other words, it refers to inculcation, development, and polishing of entrepreneurial skills into a person needed to establish and successfully run his / her enterprise. Thus, the concept of entrepreneurship development programme involves equipping a person with the required skills and knowledge needed for starting and running the enterprise.

Commercial Bank:

Commercial banks are those banks which perform all kinds of banking functions such as accepting deposits, advancing loans, credit creation, and agency functions. They are also called joint stock banks because they are organized in the same manner as joint stock companies.

They usually advance short-term loans to customers. Of late, they have started giving medium term and long-term loans also. In India 20 major commercial banks have been nationalized, whereas in developed countries they are run like joint stock companies in the private sector. Some of the commercial banks in India are Andhra Bank, Canara Bank, Indian Bank, Punjab National Bank, etc.

Functions of Commercial Banks:

Commercial banks perform a variety of functions which can be divided as: (1) accepting deposits; (2) advancing loans; (3) Credit creation; (4) financing foreign trade; (5) agency services; and (6) miscellaneous services to customers. These functions are discussed as follows:

1. Accepting Deposits:

This is the oldest function of a bank and the banker used to charge a commission for keeping the money in its custody when banking was developing as an institution. Nowadays a bank accepts three kinds of deposits from its customers. The first is the savings deposits on which the bank pays small interest to the depositors who are usually small savers.

The depositors are allowed to draw their money by cheques up to a limited amount during a week or year. Businessmen keep their deposits in current accounts. They can withdraw any amount standing to their credit in current deposits by cheques without notice. The bank does not pay interest on such accounts but instead charges a nominal sum for services rendered to its customers. Current accounts are known as demand deposits.

Deposits are also accepted by a bank in fixed or time deposits. Savers who do not need money for a stipulated period from 6 months to longer periods ranging up to 10 years or more are encouraged to keep it in fixed deposit accounts.

The bank pays a higher rate of interest on such deposits. The rate of interest increases with the length of the time period of the fixed deposit. But there is always the maximum limit of the interest rate which can be paid. For instance, the interest rate on fixed deposits over five years is 11 per cent in India.

2. Advancing Loans:
One of primary functions of commercial banks is to advance loans to its customers. A bank lends a certain percentage of the cash lying in deposits on a higher interest rate than it pays on such deposits. This is how it earns profits and carries on its business. The bank advances loans in the following ways:

(a) Cash Credit:
The bank advances loan to businessmen against certain specified securities. The amount of the loan is credited to the current account of the borrower. In cash of a new customer a loan account for the sum is opened. The borrower can withdraw money through cheques according to his requirements buy pays interest on the full amount.

(b) Call Loans:
These are very short-term loans advanced to the bill brokers for not more than fifteen days. They are advance against first class bill or securities. Such loans can be recalled at a very short notice. In normal times they can also be renewed.

(c) Overdraft:
A bank often permits a businessman to draw cheques for a sum greater than the balance lying m his Current account. This is done by providing the overdraft facility up to a specific amount to the businessman. But he is charged interest only on the amount by which his current account is actually overdrawn and not by the full amount of the overdraft sanctioned to him by the banks.

(d) Discounting Bills of Exchange:
If a creditor holding a bill of exchange wants money immediately, the bank provides him the money by discounting the bill of exchange. It deposits the amount of the bill in the current account of the bill-holder after deducting its rate of interest for the period of the loan which is not more than 90 days. When the bill of exchange matures, the bank gets its payment from the banker of the debater who accepted the bill.

3. Credit Creation:
Credit creation is one of the most important functions of the commercial banks. Like other financial institutions, they aim at earning profits. For this purpose, they accept deposits and advance loans by keeping small cash in reserve for day-to-day transactions. When a bank advances a loan, it opens and account in the name of the customer and does not pay him in cash

but allows him to draw the money by cheque according to his needs. By granting a loan, the bank creates credit or deposit.

4. Financing Foreign Trade:

A commercial bank finances foreign trade of its customers by accepting foreign bills of exchange and collecting them from foreign banks. It also transacts other foreign exchange business and buys and sells foreign currency.

5. Agency Services:

A bank acts as an agent of its customers in collecting and paying cheques, bills of exchange, drafts, dividends, etc. It also buys and sells shares, securities, debentures, etc. for its customers. Further, it pays subscriptions, insurance premium, rent, electric and water bills, and other similar charges on behalf of its clients. It also acts as a trustee and executor of the property and will of its customers. Moreover, the bank acts as an income tax consultant to its clients. For some of these services, the bank charges a normal fee while it renders others free of charge.

6. Miscellaneous Services:

Besides the above noted services, the commercial bank performs a number of other services. It acts as the custodian of the valuables of its customers by providing them lockers where they can keep their jewellery and valuable documents. It issues various forms of credit instruments, such as cheques, drafts, travellers cheques, etc. which facilitate transactions.

The bank also issues letter of credit and acts as a referee to its clients. It underwrites shares and debentures of companies and helps in the collection of funds from the public. Some commercial banks also publish journal which provide statistical information about the money market and business trends of the economy.

District Industries Centre:

The 'District Industries Centre' (DICs) programme was started by the central government in 1978 with the objective of providing a focal point for promoting small, tiny, cottage and village industries in a particular area and to make available to them all necessary services and facilities at one place. The finances for setting up DICs in a state are contributed equally by the particular state government and the central government. To facilitate the process of small enterprise development, DICs have been entrusted with most of the administrative and financial powers. For purpose of allotment of land, work sheds raw materials etc., DICs functions under the 'Directorate of Industries'.

Each DIC is headed by a General Manager who is assisted by four functional managers and three project managers to look after the following activities:

Activities of District Industries Centre (DIC):

- Economic Investigation

- Plant and Machinery
- Research, education and training
- Raw materials
- Credit facilities
- Marketing assistance
- Cottage industries

Objectives of District Industries Centre (DIC):

- Accelerate the overall efforts for industrialization of the district.
- Rural industrialization and development of rural industries and handicrafts.
- Attainment of economic equality in various regions of the district.
- Providing the benefit of the government schemes to the new entrepreneurs.
- Centralization of procedures required to start a new industrial unit and minimization- of the efforts and time required to obtain various permissions, licenses, registrations, subsidies etc.

Functions of District Industries Centre (DIC):

i. Acts as the focal point of the industrialization of the district.

ii. Prepares the industrial profile of the district with respect to :

iii. Statistics and information about existing industrial units in the district in the large, medium, small as well as co-operative sectors.

iv. Opportunity guidance to entrepreneurs.

v. Compilation of information about local sources of raw materials and their availability.

vi. Manpower assessment with respect to skilled, semi-skilled workers.

vii. Assessment of availability of infrastructure facilities like quality testing, research and development, transport, prototype development, warehouse etc.

viii. Organizes entrepreneurship development training programs.

ix. Provides information about various government schemes, subsidies, grants and assistance available from the other corporations set up for promotion of industries.

x. Gives SSI registration.

xi. Prepares techno-economic feasibility report.

xii. Advices the entrepreneurs on investments.

xiii. Acts as a link between the entrepreneurs and the lead bank of the district.

xiv. Implements government sponsored schemes for educated unemployed people like PMRY scheme, Jawahar Rojgar Yojana, etc.

xv. Helps entrepreneurs in obtaining licenses from the Electricity Board, Water Supply Board, No Objection Certificates etc.

xvi. Assist the entrepreneur to procure imported machinery and raw materials.

xvii. Organizes marketing outlets in liaison with other government agencies.

National Small Industries Corporation:

The NSIC was set up in 1955 with the objective of supplying machinery and equipment to small enterprises on hire purchase basis and assisting them in procuring government orders for various items of stores with a view to promote any faster the development of SSI in the country. The Head Office of NSIC is at Delhi and it has four regional offices at Delhi, Mumbai, Chennai and Kolkata and eleven branch offices. It has one Central liaison office at Delhi and Depots and Sub-centers.

Functions:

The main functions of NSIC are:

- To develop small scale units are ancillary units to large-scale industries.
- To provide machines and equipments to SSI's on hire-purchase basis.
- To help enterprises to participate in the stores purchase programme of the Central government.
- To assist small industries in marketing their products.
- To make available the basis raw materials through their depots.
- To import and meet the requirement of components and parts to actual small scale users in specific industries.
- To construct Industrial Estates and establish and run prototype production-cum training centers to carter the need of prospective entrepreneurs.

The NSIC has taken up the challenging task of promoting and developing small-scale industries almost from scratch and has adopted an integrated approach to achieve the socio-economic objectives.

Small Industries Development Organization:

Small Industries Development Organization (SIDO) is a subordinate office of the Department of SSI & Auxiliary and Rural Industry (ARI). It is an apex body and nodal agency for formulating, coordinating and monitoring the policies and programmes for promotion and development of small-scale industries.

Development Commissioner is the head of the SIDO. He is assisted by various directors and advisers in evolving and implementing various programmes of training and management, consultancy, industrial investigation, possibilities for development of different types of small-scale industries, industrial estates, etc.

The main functions of the SIDO are classified into:

(i) Co-ordination,

(ii) Industrial development, and

(iii) Extension.

These functions are performed through a national network of institutions and associated agencies created for specific functions. At present, the SIDO functions through 27 offices, 31 Small Industries Service Institutes (SISI), 37 Extension Centres, 3 Product-cum -Process Development Centres, and 4 Production Centres.

All small-scale industries except those falling within the specialized boards and agencies like Khadi and Village Industries (KVI), Coir Boards, Central Silk Board, etc., fall under the purview of the SIDO.

The main functions performed by the SIDO in each of its three categories of functions are:

Functions Relating to Co-ordination:

a. To evolve a national policy for the development of small-scale industries.

b. To co-ordinate the policies and programmes of various State Governments,

c. To maintain a proper liaison with the related Central Ministries, Planning Commission, State Governments, Financial Institutions etc., and

d. To co-ordinate the programmes for the development of industrial estates.

Functions Relating to Industrial Development:

a. To reserve items for production by small-scale industries,

b. To collect data on consumer items imported and then, encourage the setting of industrial units to produce these items by giving coordinated assistance,

c. To render required support for the development of ancillary units, and

d. To encourage small-scale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance.

Function Relating to Extension:

a. To make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design.

b. To provide consultancy and training services to strengthen the competitive ability of small-scale industries.

c. To render marketing assistance to small-scale industries to effectively sell their products, and

d. To provide assistance in economic investigation and information to small- scale industries.

<u>Small Industries Service Institute:</u>

The small industries service institutes (SISI's) are set-up one in each state to provide consultancy and training to small and prospective entrepreneurs. The activities of SISs are co-ordinate by the industrial management training division of the DC, SSI office (New Delhi). In all there are 28 SISI's and 30 Branch SISI's set up in state capitals and other places all over the country. SISI has wide spectrum of technological, management and administrative tasks to perform.

Functions of SISI:

1. To assist existing and prospective entrepreneurs through technical and managerial counseling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc;
2. Conducting EDPs all over the country;
3. To advise the Central and State governments on policy matters relating to small industry development;
4. To assist in testing of raw materials and products of SSIs, their inspection and quality control;
5. To provide market information to the SISI's;
6. To recommend SSI's for financial assistance from financial institutions;
7. To enlist entrepreneurs for partition in Government stores purchase programme;
8. Conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries.

9. Identify the potential for ancillary development through sub-contract exchanges;

10. Organize seminars, Workshops and Industries Clinics for the benefit of entrepreneurs.

The Small Industries Service Institutes have been generally organizing the following types of EDPs on specialized courses for different target groups like energy conservation, pollution control, Technology up-gradation, Quality improvement, Material handling, Management technique etc. as mentioned earlier.

General EDP for educated unemployed youth, ex-service personnel etc. for a duration of four weeks. In these programmes, classroom lectures and discussions are held on issues such as facilities and assistance available from State and Central government agencies, banks, financial institutions and National Small Industries Corporation.

Apart from this, exposure is given information regarding market survey, product identification and selection, technologies involved, management of small enterprises, particularly in matters relating to financial management, marketing, packaging and exports.

The participants also interact with successful small scale entrepreneurs as a part of their experience sharing Information of quality; possibilities of diversification and expansion are also given.

The entrepreneurs are helped to prepare Project Reports based on their own observations and studies for obtaining financial assistance as may be required. Such courses have benefitted many entrepreneurs to set up units of their own choice.

All India Financial Institutions:

Financial institutions are government-regulated or private entities that offer financial services to their customers. These institutions control the flow of cash from an investor to a company and vice versa within and outside a country. Financial institutions cater to clients ranging from individuals to big organizations, depending on their size and the services offered. Broadly speaking, financial institutions deal in the sectors pertaining to mortgage, automobile, homeowner, personal business and corporate finance.

The Financial Institutions in India mainly comprises of the Central Bank which is better known as the Reserve Bank of India, the commercial banks, the credit rating agencies, the securities and exchange board of India, insurance companies and the specialized financial institutions in India.

Industrial Development Bank of India:

Establishment:

The Industrial Development Bank of India or IDBI was established on 1st July, 1964 as an apex bank (the counterpart of Reserve Bank) in the field of industrial finance and capital market. However, it was de-linked from Reserve Bank on 16th February, 1976 and was given a separate independent entity under Central Government. It has completed 35 years on 30th June, 1999.

Objectives:

It is the apex institution to co-ordinate, supplement, and integrate the activities of all existing specialized financial institutions. It is a re-financing and re-discounting institution operating in the capital market to re-finance term loans and export credits. It is in charge of conducting techno-economic studies. It offers loans on purpose and not merely on the security of property as mortgage or pledge.

The IDBI undertakes:

- Refinancing of loans granted by other special financial institutions, banks and cooperatives.
- Granting of loans to industrial units.
- Rediscounting of bills of exchange.
- Guaranteeing of loans and deferred payments.
- Planning and promoting industries.
- Investment in other financial corporations.
- Underwriting the issue of shares and debentures of industrial units.
- Financial Resources, (i) Share Capital. The Present authorized capital of IDBI is Rs. 1,000 crores (Increased from Rs. 500 crores to Rs. 1,000 crores). It can be increased up to Rs. 2,000 crores.
- The paid-up capital in 1998-99 stood at Rs. 660 crores as against Rs. 659 crores in 1977-78.
- Bonds: The IDBI is authorized to issue bonds.
- Loan from Central Government: The IDBI is empowered to take loan from the central government.
- Loan from Reserve Bank: The IDBI is authorized to take loan from the Reserve Bank on its securities for a period of 90 days.
- Loan in Foreign Currency: The IDBI is empowered to take loan in foreign currency.
- Reserve Fund: The reserve fund during 1998-99 stood at Rs. 8,033 crores as against Rs. 8003 crores in 1997-98.
- Other Sources: Other financial sources of IDBI includes public deposits, grants etc.

Management

The IDBI is managed by a board of directors. The maximum number of directors in the board is twenty two only. At present there are in all eighteen directors in the board of directors. The head-office of IDBI is situated in Mumbai. It has five regional offices situated in New Delhi, Kolkata, Chennai and Guwahati. Besides the regional office, the IDBI has 20 branch offices situated in different parts of the country.

Review of Progress (operations):

IDBI has given special attention to better regional development and innovational and promotional activities. It has conducted surveys of backward regions. It has given special help to backward regions on concessional terms. IDBI is playing a more dynamic role in promoting growth of industries as an innovator in the area of industrial finance. The financial resources are being diverted into socially more desirable channels. Emphasis is being placed on assistance to small and new entrepreneurs and units located in underdeveloped regions in the country.

IDBI is the major source of industrial finance. Its sanctioned and disbursed amount is 37% and 40% respectively of the total sectioned and disbursed amount of all the term-lending institutions. In the field of company promotion, IDBI has set up technical consultancy organization which helps in the preparation of feasibility studies, project reports, guidance in the economic, financial and managerial aspects of the new prospect.

Refinance of export credit is offered at a lower rate of interest. In the field of export financing, it was acting as an export bank. It is due to the fact that IDBI is the apex bank in the world of industrial finance and it must act primarily as a residual lender of last resort and fill up the gaps in industrial finance which are left out by other financial institutions.

Industrial Finance Corporation of India:

Establishment:

The Industrial Finance Corporation of India was established on 1st July, 1948 under the Industrial Finance Corporation Act, 1948 to provide financial assistance (medium and long-term) to large-scale industries all over the country. On 1st July, 1997 the name of Industrial Finance Corporation of India was changed as ‘Industrial Finance Corporation of India Limited’.

Objective:

The main object of Industrial Finance Corporation of India Limited is to provide financial assistance to large-scale industrial units particularly at a time when the normal banking accommodation is inadequate and not forthcoming to assist these industrial units. Industrial enterprises, organized on the basis of proprietary or private limited company basis, cannot take loans from this corporation. Only the public limited companies are eligible to take loans from it.

Functions:

The main functions of Industrial Finance Corporation of India Limited are as follows:

- To grant medium and long-term loans ranging between Rs. 30 lakhs to Rs. 2 crores to large-sized industrial units which are repayable within a period of 25 years.
- To guarantee loans raised by the industrial units which are repayable within a period of 25 years.
- To underwrite the issue of stocks, shares, debentures or bonds b industrial units but must dispose of such securities within 7 years.
- To issue debentures.
- To accept public deposits up to Rs. 10 crores for a period of five years only.
- To act as an agent for the Central Government and for the World Bank in respect of loans sanctioned by them to industrial units.
- To guarantee deferred payments by importers of capital goods, who are able to obtain this concession from foreign manufacturers.

Industrial Credit and Investment Corporation of India:

The Industrial Credit and Investment Corporation of India were registered as a private limited company in 1955. It was set up as a private sector development bank to assist and promote private industrial concerns in the country.

Broad objectives of the ICICI are:

- To assist in the creation, expansion and modernization of private concerns;
- To encourage the participation of internal and external capital in the private concerns;
- To encourage private ownership of industrial investment.

Functions of ICICI:

- It provides long-term and medium-term loans in rupees and foreign currencies.
- It underwrites new issues of shares and debentures.
- It guarantees loans raised by private concerns from other sources.
- It provides technical, managerial and administrative assistance to industrial concerns.

Financial Assistance:

The performance of the ICICI in the field of financial assistance provided to the industrial concerns has been quite satisfactory. Over the years, the assistance sanctioned by the Corporation has grown from Rs.14.8 crores in 1961-62 to Rs. 43.0 crores in 1970-71 and Rs. 36229 crores in 2001-02. Similarly the amount disbursed has increased from Rs.8.6 crores in 1961-62 to Rs.29.8 crores in 1970-71 and to Rs. 25831 in 2001-02. Cumulatively, at the end of March 1996, the ICICI has sanctioned and disbursed financial assistance aggregating Rs. 66169 crores and Rs. 36591 crores respectively.

Features of ICICI:

The important features of the functioning of the ICICI arc as given below:

- The financial assistance as provided by the ICICI includes rupee loans, foreign currency loans, guarantees, underwriting of shares and debentures, and direct subscription to shares and debentures.
- Originally, the ICICI was established to provide financial assistance to industrial concerns in the private sector. But, recently, its scope has been widened by including industrial concerns in the public, joint and cooperative sectors.
- ICICI has been providing special attention to financing riskier and non-traditional industries, such as chemicals, petrochemicals, heavy engineering and metal products. These four categories of industries have accounted for more than half of the total assistance.
- Of late, the ICICI has also been providing assistance to the small scale industries and the projects in backward areas.
- Along with other financial institutions, the ICICI has actively participated in conducting surveys to examine industrial potential in various states.
- In 1977, the ICICI promoted the Housing Development Finance Corporation Ltd. to grant term loans for the construction and purchase of residential houses.
- Since 1983, the ICICI has been providing leasing assistance for computerization, modernization and replacement schemes; for energy conservate; for export orientation; for pollution controller balancing and expansion: etc.

- The ICICI has not contributed much to reduce regional disparities. About three-fifth of the total assistance given by the ICICI has been received by the advanced states of Maharashtra, Gujarat and Tamil Nadu.
- With effect from April 1, 1996, Shipping Credit and Investment Company of India ltd, (SCICI) was merged with ICICI.
- The ICICI Ltd. was merged with ICICI Bank Ltd. effective from May 3, 2002.

Industrial Reconstruction Bank of India:

To provide financial assistance as well as to revive and revitalize sick industrial units in public/private sectors, an institution called the Industrial Reconstruction Corporation of India (IRCI) was set up in 1971 with a share capital of Rs. 10 crores. In March 1985, it was converted into a statutory corporation called the Industrial Reconstruction Bank of India (IRBI), with an authorized capital of Rs. 200 crores and a paid-up capital of Rs. 50 crores.

The following functions were laid down for the IRBI:

- To provide financial assistance to sick industrial units.
- To provide managerial and technical assistance to sick industrial units,
- To secure the assistance of other financial institutions and government agencies for the revival and revitalization of sick industrial units,
- To provide merchant banking services for amalgamation, merger, reconstruction, etc.,
- To provide consultancy services to the banks in the matter of sick units, and
- To undertake leasing business.
- In a similar fashion, the IRBI is to function as the principal credit and reconstruction agency for industrial revival and co-ordinate the activities of other institutions engaged in the revival of industries and also to assist and promote industrial development and rehabilitation of industrial concerns.
- The IRBI is empowered to take over the management of assisted sick industrial units, lease them out or sell them as running concerns or to prepare schemes for reconstruction-by scaling down the liabilities with the approval of the Government of India.

- During 1986-87, the IRBI sanctioned a total assistance of Rs. 148.9 crores and disbursed Rs. 946 crores by way of term loans to industrial units for essential capital expenditure relating to modernization, diversification, renovation, expansion, etc.
- During 1995-96, the sanctions of IRBI amounted to Rs. 897 crores. Its cumulative sanctions amounted to Rs. 3,521 crores and disbursement Rs. 2,404 crores.

<u>Questions to practice:</u>

PART – A – 2 Marks

1. Define the term agency.
2. Write a note on DIC.
3. List out the functions of SISI.
4. Express the term IDBI with its functions.
5. Appraise the functions of SIDC'S.
6. Define a Small Scale Industry.
7. Prioritize the characteristics of SSI.
8. Report on SIDBI & IDBI.
9. State the functions of ICICI.
10. Interpret the objectives of IRDBI.

PART – B – 10 Marks

1. Explain in detail the functions of NSIC.
2. Utilize the functions of SIDO in promoting and developing entrepreneurs.
3. Summarize the promotional activities of IFCI.
4. Value the role of commercial banks in assisting SSI sector.
5. Discuss the role of governmental and non-governmental agencies in promoting entrepreneurship in India.

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SCHOOL OF MANAGEMENT STUDIES

UNIT – III – Entrepreneurship Development – SBAX1024

UNIT III: PROJECT MANAGEMENT

Business idea generation techniques- Identification of Business opportunities- Feasibility study Marketing, Finance Technology & Legal Formalities-Preparation of Project Report –Tools of Appraisal.

<u>Identification of Business Opportunity:</u>

The term opportunity implies a good chance or a favorable situation to do something offered by circumstances. In the same vein, business opportunity means a good or favorable change available to run a specific business in a given environment at a given point of time.

The term ‘opportunity’ also covers a product or project. Hence, the identification of an opportunity or a product or project is identical and, therefore, all these three terms are used as synonyms. The Government of India’s “Look East Policy” through North East is an example of ‘opportunity’ to do business in items like tea, handicrafts, herbals, turmeric, etc.

Opportunity identification and selection are like comer stones of business enterprise. Better the former, better is the latter. In a sense, identification and selection of a suitable business opportunity serves as the trite saying ‘well begun is half done.’ But, it is like better said than done. Why? Because if we ask any intending entrepreneur what project or product he/she will select and start as an enterprise, the obvious answer he/she would give is one that having a good market and is profitable. But the question is how without knowing the product could one know its market?

Whose market will one find out without actually having the product? Whose profitability will one find out without actually selling the product? There are other problems, besides. While trying to identify the suitable product or project, the intending entrepreneur passes through certain processes.

To mention the important ones, the entrepreneurs selected their products or projects based on:

a. Their own or partners’ past experience in that business line;

b. The Government’s promotional schemes and facilities offered to run some specific business enterprises;

c. The high profitability of products;

d. Which indicate increasing demand for them in the market?

e. The availability of inputs like raw materials, labour, etc. at cheaper rates;

f. The expansion or diversification plans of their own or any other ongoing business known to them;

g. The products reserved for small-scale units or certain locations.

Now, having gained some idea on how the existing entrepreneurs selected products/projects, the intending entrepreneur can find a way out of the tangle of which opportunity/product/project to select to finally pursue as one’s business enterprise.

One of the ways employed by most of the intending entrepreneurs to select a suitable product/project is to firstly generate ideas about a few products/ projects. Accordingly, what follows next is a discussion idea generation about products.

Idea Generation:

Sources of Ideas:

In a sense, opportunity identification and selection are akin to, what is termed in marketing terminology, ‘new product development.’ Thus, product or opportunity identification and selection process starts with the generation of ideas, or say, ideas about some opportunities or products are generated in the first instance.

The ideas about opportunities or products that the entrepreneur can consider for selecting the most promising one to be pursued by him/her as an enterprise, can be generated or discovered from various sources- both internal and external.

These may include:

(i) Knowledge of potential customer needs,

(ii) Watching emerging trends in demands for certain products,

(iii) Scope for producing substitute product,

(iv) Going through certain professional magazines catering to specific interests like electronics, computers, etc.,

(v) Success stories of known entrepreneurs or friends or relatives,

(vi) Making visits to trade fairs and exhibitions displaying new products and services,

(vii) Meeting with the Government agencies,

(viii) Ideas given by the knowledgeable persons,

(ix) Knowledge about the Government policy, concessions and incentives, list of items reserved for exclusive manufacture in small-scale sector,

(x) A new product introduced by the competitor, and

(xi) One’s market insights through observation.

In nutshell, a prospective entrepreneur can get ideas for establishing his/ her enterprise from various sources. These may include consumers, existing products and services presently on offer, distribution channels, the government officials, and research and development.

A brief mention about each of these follows in turn:

Consumers:

No business enterprise can be thought of without consumers. Consumers demand for products and services to satisfy their wants. Also, consumers' wants in terms of preferences, tastes and liking keep on changing. Hence, an entrepreneur needs to know what the consumers actually want so that he/she can offer the product or service accordingly. Consumers' wants can be known through their feedback about the products and services they have been using and would want to use in future.

Existing Products and Services:

One way to have an enterprise idea may be to monitor the existing products and services already available in the market and make a competitive analysis of them to identify their shortcomings and then, based on it, decide what and how a better product and service can be offered to the consumers. Many enterprises are established mainly to offer better products and services over the existing ones.

Distribution Channels:

Distribution channels called, market intermediaries, also serves as a very effective source for new ideas for entrepreneurs. The reason is that they ultimately deal with the ultimate consumers and, hence, better know the consumers' wants.

As such, the channel members such as wholesalers and retailers can provide ideas for new product development and modification in the existing product. For example, an entrepreneur came to know from a salesman in a departmental store that the reason his hosiery was not selling was its dark shade while most of the young customers want hosiery with light shade. The entrepreneur paid heed to this feedback and accordingly changed the shade of his hosiery to light shade. Entrepreneur found his hosiery enjoying increasing demand just within a month.

Government:

At times, the Government can also be a source of new product ideas in various ways. For example, government from time to time issues regulations on product production and consumption. Many a times, these regulations become excellent sources for new ideas for enterprise formation.

For example, government's regulations on ban on polythene bags have given new idea to manufacture jute bags for marketing convenience of the sellers and buyers. A prospective entrepreneur can also get enterprise idea from the publications of patents available for license or sale.

Besides, there are some governmental agencies that assist entrepreneurs in obtaining specific product information. Such information can also become basis for enterprise formation.

Research and Development:

The last but no means the least source of new ideas is research and development (R&D) activity. R&D can be carried out in-house or outside the organization. R&D activity suggests what and how a new or modified product can be produced to meet the customers' requirements.

Available evidences indicate that many new product development, or say, new enterprise establishments have been the outcome of R&D activity. For example, one research scientist in a Fortune 500 company developed a new plastic resin that became the basis of a new product, a plastic molded modular cup pallet. Most of the product diversifications have stemmed from the organization's R&D activity.

Methods of Generating Ideas:

As seen above, there could be variety of sources available to generate ideas for enterprise formation. But, even after generating ideas to convert these into enterprise is still a problem for the prospective entrepreneur. The reason is not difficult to seek.

This involves a process including first generating the ideas and then scrutinizing of the ideas generated to come up with an idea to serve as the basis for a new enterprise formation. The entrepreneur can use several methods to generate new ideas. However, the most commonly used methods of generating ideas are: focus groups, brainstorming, and problem inventory analysis.

These are discussed as follows:

Focus Groups:

A group called 'focus group' consisting of 6-12 members belonging to various socio-economic backgrounds are formed to focus on some particular matter like new product idea. The focus group is facilitated by a moderator to have an open in-depth discussion. The mode of the discussion of the group can be in either a directive or a non-directive manner.

The comment from other members is supplied with an objective to stimulate group discussion and conceptualize and develop new product idea to meet the market requirement. While focusing on particular matter, the focus group not only generates new ideas, but screens the ideas also to come up with the most excellent idea to be pursued as a venture.

Brainstorming:

Brainstorming technique was originally adopted by Alex Osborn in 1938 in an American Company for encouraging creative thinking in groups of six to eight people. According to Osborn, brainstorming means using the brain to storm the issue/problem. Brainstorming ultimately boils down to generate a number of ideas to be considered for the dealing with the issue/problem.

However, brainstorming exercise to be effective needs to follow a modus operandi involving four basic guidelines:

1. Generate as many ideas as possible.

2. Be creative, freewheeling, and imaginative.

3. Build upon piggyback, extend, or combine earlier ideas.

4. Withhold criticism of others' ideas.

There are two principles that underlie brainstorming. One is differed judgment, by which all ideas are encouraged without criticism and evaluation. The second principle is that quantity breeds quality. The brainstorming session to be effective needs to work like a fun, free from any type of compulsions and pressures.

Each member needs to have willingness and capacity to listen to others' thoughts, to use these thoughts as a stimulus to spark new ideas of their own, and then feel free to express them. As such, efforts are made to keep the brainstorming session free from any sort of dominance and obstruction derailing and inhibiting discussion to proceed in a desired manner to serve its purpose. A normal brainstorming session lasts for from ten minutes to one hour and does not require much preparation.

Here is an example of brainstorming used to generate ideas to make the organizations presence noticed.

A national level institute of the Government of India took its faculty to a resort in Himachal Pradesh for a brainstorming session for two days to generate ideas on what it can do to be known, noticed and recognized at the national and international arena.

The seven major ideas generated were to:

(i) Open courses like PGDM for the general public,

(ii) Introduce new courses to meet the emerging market requirements,

(iii) Introduce research activity in terms of research projects and fellow programme,

(iv) Sign Memorandum of Understanding (MOUs) with reputed national and international academic institutions,

(v) Start courses in collaboration with the Government and industry.

(vi) Nominate especially young faculty members to join the Faculty Development Programmes conducted by the Indian Institute of Management, Ahmedabad (IIMA), and

(vii) Publish the Institute's research journal.

Problem Inventory Analysis:
Problem Inventory analysis though seems similar to focus group method, yet it is somewhat different from the latter in the sense that it not only generates the ideas, but also identifies the Problems the product faces. The procedure involves two steps: One, providing consumers a list of specific problems in a general product category.

Two identifying and discussing the products in the category that, suffer from the specific problems. This method is found relatively more effective for the reason that it is easier to relate known products to a set of suggested problems and then arrive at a new product idea.

However, experiences available suggest that problem inventory analysis method should better be used for generating and identifying new ideas for screening and evaluation. The results derived from product inventory analysis need to be carefully screened and evaluated as they may not actually reflect a genuine business opportunity.

For example, General Foods' introduction of a compact cereal box in response to the problem that the available boxes did not fit well on the shelf was not successful, as the problem of package size had little effect on actual purchasing behaviour. Therefore, to ensure the better if not the best results, problem inventory analysis should be used primarily to generate product ideas for evaluation.

All of above sources and methods may give a few ideas about the possible projects to be examined as the final project or product.

Opportunity/Product Identification:
After going through above process, one might have been able to generate some ideas that can be considered to be pursued as ones business enterprise.

Imagine that someone have generated the five ideas as opportunities as a result of above analysis:
1. Nut and bolt manufacturing (industry)
2. Lakhani Shoes (industry)
3. Photocopying unit (service-based industry)
4. Electro-type writer servicing (service-based industry).
5. Polythene bags for textile industry (ancillary industry)

An entrepreneur cannot start all above five types of enterprises due to small in size in terms of capital, capability, and other resources. Hence, he/she needs to finally select one idea which he/she thinks the most suitable to be pursued as an enterprise.

Feasibility Study:

The feasibility Study is the study of something or anything to determine or calculate whether the available resources or given condition is capable of being done or carried out; whether the input data within reason is likely probable or suitable to produce the desired outcome or successful.

In simple words it is just like that of the truth table in Electronic Gates where we see what is the outcome due to all the possible inputs under some logical relationship. There are many different types of feasibility studies depending upon the projects or research or nature or area or function and category of the work. Some of the common main types are given below-

1. Economic feasibility whereby the available money or finance is able to gain the desired outputor outcome. It is also known as cost- benefit analysis.
2. Technical feasibility whereby the available instruments, processes and procedures are conducive toward the success of the work under consideration.
3. Estate feasibility whereby the available land or property is how far suitable or appropriate tobegin the work or the business.
4. Resource feasibility whereby the research is to check whether the available resources requiredis enough to begin the project.
5. Operational feasibility whereby measurement is done on how far the work or the company will be able to solve problems and take advantage of the opportunities during the course of the work.
6. Marketing feasibility whereby the finished products would convert to income by taking account of necessity, population size, living standard, economic status of the inhabitants etc.
7. Cultural feasibility in which the impact of both local and general cultures are studied and therequirement of conducive to the environmental implications.
8. Legal feasibility in which it measures the entire legal and ethical requirement is made or not.
9. Comprehensive feasibility whereby it checks the various aspects involved in the venture of aparticular type of project.

The process of establishing a new business is preceded by the resolution to select entrepreneurship as an occupation. This calls for recognizing lucrative business ideas upon a meticulous evaluation of the entrepreneurial prospects. Creation of business ideas is not sufficient, they must be tested on techno-fiscal, economic and authorized viewpoints. A project report for new business conducts a profound road map for effectual business venture. It discusses whether the business requires finance or not, the challenging risks, several problems en route, etc. Hence it becomes vital for every new business to prepare a project report, to acquaint them on forewarning issues.

Project report for New Business – Format:

Below is the sequence of standard format which should be followed while preparing new business project report:

1. Background of the business
2. Customer's profile
3. Long and short term Corporate Objectives
    - To perform a viability assessment of the proposed new business ideas in terms of marketability, technical feasibility, financing and authorities
    - To be able to prepare a relevant business plan
    - To recognize fundamental startup issues
4. Market Analysis
    - Brief discussion on the type of market, chief influencers, players, etc
    - Market description & Past and existing supply location
    - Reasons for starting business in a particular market
    - Target clients & Price structure
    - Advantages of the services offered by the new business
    - Market consumption patterns
    - Production prospects and limitations
    - Exports and Imports & Flexibility of demand
    - Client behavior, purposes, intentions, impetus, approaches, inclinations and needs
    - Supply network and marketing rules formulated by the government
    - Government and technical limitations imposed on the promotion of the product
5. Financial Assessment
    - Investment expenditure and value of the entire project
    - Methods of investment
    - Anticipated productivity
    - Money flows of the project report
    - Investment value evaluated in context of different points of merit
    - Estimated financial ranking
6. Marketing Assessment
    - Product
    - Price
    - Place
    - Promotion
7. Operational Plan
    - Business models
    - Production of goods and services
8. Financial Plan
9. Management Structure

10. Business structure (Ownership, staff, etc)
11. SWOT Analysis
    - Significant Success aspects depending on Strengths, Weaknesses, Opportunities andThreats to be faced by the firm in future
12. Appendices
    - Break-Even Assessment
    - Profit and Loss Synopsis
    - Fund Flow Summary

Project Appraisal Methods:

Project appraisal methodologies are methods used to access a proposed project's potential success and viability. These methods check the appropriateness of a project considering things such as available funds and the economic climate. A good project will service debt and maximizeshareholders' wealth.

Net Present Value:

A project's net present value is determined by summing the net annual cash flow, discounted at the project's cost of capital and deducting the initial outlay. Decision criteria are to accept a project with a positive net present value. Advantages of this method are that it reflects the time value of money and maximizes shareholder's wealth. Its weakness is that its rankings depend on the cost of capital; present value will decline as the discount rate increases.

Payback Method:

A company chooses the expected number of years required to recover an original investment. Projects will only be selected if initial outlay can be recovered within a predetermined period. This method is relatively easy since the cash flow doesn't need to be discounted. Its major weakness is that it ignores the cash inflows after the payback period, and does not consider the timing of cash flows.

Internal Rate of Return:

This method equates the net present value of the project to zero. The project is evaluated by comparing the calculated internal rate of return to the predetermined required rate of return. Projects with Internal rate of return that exceed the predetermined rate are accepted. The major weakness is that when evaluating mutually exclusive projects, use of internal rate of return may lead to selecting a project that does not maximize the shareholders' wealth.

Profitability Index:

This is the ratio of the present value of project cash inflow to the present value of initial cost. Projects with a Profitability Index of greater than 1.0 are acceptable. The major disadvantage in this method is that it requires cost of capital to calculate and it cannot be used when there are unequal cash flows. The advantage of this method is that it considers all cash flows of theproject.

<u>Questions to practice:</u>

PART –A

1. Recall the meaning “feasibility study”.
2. Infer the importance of marketing feasibility.
3. Identify the factors which determine the capital structure.
4. Examine the concept of breakeven point.
5. Define the term project appraisal.
6. How a project is formulated?
7. Differentiate between Business idea and Business opportunity.
8. Discover various sources of Business Identification?
9. List the contents of a project report in detail.
10. Rearrange the factors determining Capital Structure.

PART –B

1. Compile the aspects that are considered in the technical feasibility.
2. Categorize the various classifications of the projects.
3. Investigate the role and importance of market research in determining marketingfeasibility.
4. Assemble the different sources of short and long term finance to access the requiredfinance for running successful entrepreneurial venture.
5. Recommend the Project appraisal methodologies used to access a proposed project'spotential success and viability.

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SCHOOL OF MANAGEMENT STUDIES

UNIT – IV – Entrepreneurship Development –SBAX1024

UNIT IV: ENTREPRENEURIAL DEVELOPMENT PROGRAMMES (EDP)

Role Relevance and achievements – Role of Government in Organizing EDPS – Critical Evaluation

ENTREPRENEURIAL DEVELOPMENT PROGRAMMES (EDP)

- After Independence it was found that most of the industrial growth was limited to a few areas and confined to few top business houses .
- Government decided to encourage entrepreneurial activities and ventures through various incentives in both industrially backward and rural areas.
- Various agencies and institutions were engaged in entrepreneurship development activity . Main thrust of these was to provide technological , financial , market and morale support to the potential s of entrepreneurs, who act as catalyst agents of change .
- EDP is essential for first generation entrepreneurs because they may not become successful unless a proper training is received. It is a continuous process of motivating the entrepreneur.

Need For EDP

- Entrepreneurs are the persons with a vision, with the urge to achieve and with the abilities and competencies to bear the risks and achievements.
- EDPs play a vital role so that the entrepreneurs are motivated and develop entrepreneurial skills to achieve the set goals.
- EDPs are essential for the country's development in which the entrepreneurs use the factors of production and generate employment opportunities.
- EDPs play a critical role in solving the problem of unemployment and involved in poverty alleviation of the citizens of a country.

Objectives of EDP

The important objectives of the entrepreneurship programmes are developing and strengthening the following qualities among the entrepreneurs.

(i) Analyzing environmental set up as to small business and industry.

(ii) Selecting project.

(iii) Formulating the project.

(iv) Understanding the process and procedures of setting up of a small enterprise.

(v) Knowing the sources of assistance available for managing an enterprise.

(vi) Acquiring the necessary managerial skills for managing an enterprise.

(vii) Knowing the *pros* and *cons* of being an entrepreneur.

(viii) Acquainting the required entrepreneurial disciplines.

(ix) Identifying and training potential entrepreneurs.

(x) Providing post-trading assistance.

(xi) Accelerating business development.

(xii) Solving unemployment problem.

EDP's Contribution towards Country's Betterment

EDP is becoming increasing popular and it helps the country in the following ways:

1. Eliminates poverty and unemployment
2. Balanced regional development
3. Prevents industrial slums
4. Harnessing locally available resources
5. Defuses social tension
6. Capital formation
7. Economic independence
8. Improvement in per capita income
9. Facilitating overall development

Components of EDP

There are six major components of a typical EDP. They are:

(i) Introduction to entrepreneurship.

(ii) Motivating entrepreneurs.

(iii) Imparting managerial skills.

(iv) Exposure to support systems and procedures.

(v) Guidance to conduct feasibility studies.

(vi) Taking for field visits.

Phases of EDP

The potential entrepreneurs can solve many of their problems provided proper training is given to them.

An EDP possesses the following three phases: (i) Pre-training phase (ii) Training phase (iii) Post-training phase i.e. Follow-up phase.

i) Pre-training phase

Refers to the activities and preparatory work made before the actual conduct of training. In this phase, actual preparations are made for launching the Programme.

It involves the following activities:

(i) Selection of area.

(ii) Selection of course coordinator.

(iii) Arrangement of infrastructure.

(iv) Conducting the market survey to identify good business opportunities.

(v) Formulating the programme which includes training programme organization, trainer selection and training syllabus finalization etc.

(vi) Getting support from various agencies such as DICs, SFCs, SISI etc.

ii) Training Phase - It involves three phases in it, which are as follows:

1. Raising motivational level i.e. Confidence building.

The entrepreneurial training programme are normally designed so as to raise their motivation to a higher level. Each session in the training programme should aim at strengthening their confidence and expanding their vision. Motivational level must be raised to a greater extent because only motivated participants will take efforts to start a venture.

2. Improvement of Managerial talents.

They must be made to understand the basic principles of management and to realize the benefits and significance of the management functions like planning, organizing, staffing, directing, controlling and coordinating. The various techniques involved in the management process must be explained.

3. Developing the Technical Competence

The technical competence suitable to the product selected should be developed in the participants. For this purpose, many details are required to be given to participants. Such as details of technology, plant and machinery and its cost, the name of suppliers, its life-span, special features of the machinery etc., raw materials and their availability, special characteristics and the like, manufacturing process and requirement of labour.

iii) Post-training phase

In this phase, assessment as to how far the objectives of the programme have been achieved has been made. It indicates past performance, drawbacks if any in the past work and suggest guidelines for formulating future policies.

This phase comprises the following steps:

(i) Registration of the enterprise.

(ii) Arranging finance for starting the unit.

(iii) Guidance with respect to purchase of plant and machinery.

(iv) Providing land, shed, power connection etc. for establishing the project.

(v) Obtaining of licenses for scarce raw materials.

(vi) Granting incentives such as capital investment subsidy, interest subsidy, tax relief etc.

(vii) Assistance by way of management consultancy.

(viii) Setting up marketing facilities.

(ix) Providing up-to-date information on the industry.

ROLE OF GOVERNMENT IN ORGANIZING EDPS:

The following specialized EDP organizations have been set up by the Government of India to promote entrepreneurship in the country.

(i) National Institute for Entrepreneurship and small Business Development (NIESBUD)

It is an Apex organization for organizing and conducting EDP under the Ministry of Industry, Government of India. It is located at Noida (UP).

(ii) Small Industries Service Institutes (SISIs)

It is set up by Government of India. It is having its network of branches in many states in India.

(iii) National Institute for Small Industry Extension and Training (NISIET)

NISIET is established in 1960, under Ministry of Small Scale Industries, Government of India. It is located at Yousufguda, Hyderabad. The Institute strives to achieve its objectives through a gamut of operations ranging from training, consultancy, research and education, to extension and information services.

(iv) Entrepreneurship Development Institute of India (EDI)

The Entrepreneurship Development Institute of India (EDI), an autonomous body and not-for-profit institution, set up in 1983, is sponsored by apex financial institutions, namely the Industrial Development Bank of India (IDBI), the Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corporation of India (ICICI) and State Bank of India (SBI).

AGENCIES & INSTITUTIONS ENGAGED IN EDP ACTIVITIES

I . National Institute For Entrepreneurship and Small Business Development (NIESBUD)

1) Highest body
2) Entrusted the task of coordinating the activities of different agencies engaged in the task of entrepreneurship development.
3) Confines it's training activities to such areas where no organisation is coming forward for organising programmes and which is totally new.
4) Aims at creating conducive environment for emergence of entrepreneurship.

Functions NIESBUD

- Evolving effective training strategies and methodology.
- Formulating scientific selection procedure.
- Developing training aids, manuals and other tools.
- Facilitating and supporting agencies engaged in entrepreneurship development .
- Conducting such programmes which are not undertaken by other agencies.
- Maximising their benefits and accelerating the process of entrepreneurship development.
- Organising all those activities that help develop entrepreneurial culture in society.

II . Entrepreneurship Development Institute of India (EDII)

It is a national institute set up by Public Financial Institutions and Government of Gujarat. It promotes research , training and institution building activities by encouraging active participation of backward areas and special target groups in entrepreneurship.

It consists of following steps:

- Selecting potential entrepreneurs.
- Achievement motivation training .
- Product selection and project report prepration.
- Business management training.
- Practical training and work experience.
- Post training support and follow up.

III . Technical Consultancy Organisation (TCO)

Various state governments in association with all India financial institutions have promoted various technical consultancy organisations to provide technical consultancy and training to prospective entrepreneurs . These organisation provide a comprehensive package of services to potential entrepreneurs .

Main functions of TCO:

- Finding out industrial potential .
- Undertaking feasibility studies and preparing project profiles.
- Undertaking techno economic survey.
- Conducting marketing research.
- Locating prospective entrepreneurs and imparting technical and managerial training.
- Helping entrepreneurs in updating and upgrading.

IV . Indian Investment Centre (IIC)

It is an autonomous , non profit centre promoted and supported by the Government of India . It aims at promoting mutually beneficial joint venture between Indian and Foreign entrepreneurs. It provides relevant information to the foreign investors , desirous of making investment in our country . It promotes collaborations between Indian and foreign entrepreneurs.

V . National Entrepreneurial Development Board

- To support skill upgradation and renewal of learning processes among practising entrepreneurs and managers of micro, tiny, small and medium enterprises.
- To sensitise to support agencies in the area of entrepreneurship about the current requirement of growth.
- To act as catalyst to institutionalise entrepreneurship development by supporting and strengthening state level institutions for entrepreneurship.
- Setting up of incubators by entrepreneurship development institutions and other organisations devoted to the promotion of entrepreneurship development.

VI . Small Industries Development Bank of India (SIDBI)

- It was established in April, 1990 and earlier it was wholly owned subsidiary of IDBI.
- It separated from IDBI and became an independent company in 1997.
- The aim of SIDBI’s EDPs is to build and nurture a reservoir of entrepreneurs through training, motivation and guidance.

❖ SIDBI addresses management deficiencies and problems of low level of skill and technology by specially designed 2 programs.

1. Small Industries Management Assistance Programme(SIMAP):

Its aim is to develop a cadre of industrial managers specifically trained to assist entrepreneurs in their multiple responsibilities.

2. Skill Cum Technology Up gradation Programme (STUP) :

It is structured to improve the performance of existing units by developing/strengthening managerial skills and technical competence of entrepreneurs and senior executives of small enterprises.

National Skill Development Corporation (NSDC)

▸**Create:** Proactively catalyse creation of large, quality vocational training institutions.

▸**Fund:** Reduce risk by providing patient capital. Including grants and equity.

▸**Enable:** The creation and sustainability of support systems required for skill development. This includes the Industry led Sector Skill Councils

Major Activities of NSDC

1. Upgrade skills to international standards through significant industry involvement and develop necessary frameworks for standards, curriculum and quality assurance
2. Enhance, support and coordinate private sector initiatives for skill development through appropriate Public-Private Partnership (PPP) models.
3. Strive for significant operational and financial involvement from the private sector

Besides these there are several other important institutions providing assistance for entrepreneurial development at national and state level , these are:

AT NATIONAL LEVEL

1. Small Industries Development Corporations
2. Industrial Development Bank Of India
3. Industrial Finance Corporation of India
4. Small Industries Development Bank of India
5. Khadi and Village Industries Centre
6. National Institute of Small Industries Extension Training
7. Science and Technology Entrepreneurs Park

AT STATE LEVEL

1. Small Industries Service Institute
2. Distinct Industries Centre
3. State Finance Centre
4. State Small Industries Corporation
5. State Industries Promotion Corporation
6. Management Institutes And Voluntary Organisation

Role Relevance and achievements of EDP:

EDP is essential for first generation entrepreneurs because they may not become successful unless a proper training is received. It is a continuous process of motivating the entrepreneur. The potential entrepreneurs can solve many of their problems provided proper training is given to them.

On the basis of above discussion, it can be concluded that EDP is becoming increasing popular and it can help the country in the following ways:

1. Eliminates poverty and unemployment:

The basis problems of most of the developing countries like India are poverty and unemployment. Entrepreneurship development programmes can help the unemployed people to opt for self-employment and entrepreneurial as a career.

Several programmes like National Rural Employment Programme (NREP), Integrated Rural Development Programme (IRDP) etc. are in operation in India to help the potential entrepreneurs. All these special schemes intend to eliminate the poverty and solve the problem of unemployment.

2. Balanced regional development:

Successful Entrepreneurial development programmes help in foster the industrialization and reduces the concentration of economic power. It is because the small-scale entrepreneurs can set-up their units in remote areas with little financial resources which can help in achieving balanced regional development.

The medium and large enterprises do not help in reducing the disparities in income and wealth of the people. Thus, Entrepreneurial development programmes help in balanced regional development by spreading industrial units in each, and every part of the country.

3. Prevents industrial slums:

The urban cities are highly congested and leading to industrial slums. Decentralization of industries is very much required by relocating the industries.

Entrepreneurial development programmes help in removal of industrial slums as the entrepreneurs are provided with various schemes, incentives, subsidies and infrastructural facilities to set up their own enterprises in all the non-industrialized areas.

This will control the industrial slums and also reduce the pollution, traffic congestion, overcrowding in cities etc.

4. Harnessing locally available resources:

Since abundant resources are available locally, proper use of these resources will help to carve out a health base for sound economic and rapid industrialization.

The entrepreneurial development programmes can help in harnessing these resources by training and educating the entrepreneurs.

5. Defuses social tension:

Every young person feels frustrated if he does not get employment after completing his education. The talent of the youth must be diverted to self-employment careers to help the country in defusing social tension and unrest among youth which is possible by entrepreneurial development programmes.

6. Capital formation:

The various development banks like ICICI, IDBI, IFCI, SFC, SIDC and SIDBI take initiative in promoting entrepreneurship through assistance to various agencies involved in EDP and by providing financial help to ne entrepreneurs. It is impossible to start a new enterprise without sufficient funds.

Entrepreneurs are the organizers of factors of production who employ their own and borrowered money for setting up of new ventures. This all results in the process of capital formation.

7. Economic independence:

Entrepreneurs develop and produce substituted products of imported goods and prevent the over-dependence on other countries.

They also enable the country to produce different variety of better quality goods and services at competitive prices of imported goods which help in promoting the economic independence of the country.

8. Improvement in per capita income:

Entrepreneurs always explore and exploit the new opportunities which lead to productive use of factors of production for more output, employment and generation of wealth.

The overall increase in productivity and income help in improvement in per capita income. EDPs play a significant role in setting up of more industrial units to generate more employment opportunity and to secure improved per capital income.

9. Facilitating overall development:

Entrepreneurs act as agents of proper use of various limited resources such as men, money, material, machines etc. which leads to overall development of an area, an industry.

The successful entrepreneurs set a motivating example for others to adopt entrepreneurship as a career. Thus entrepreneurs create a motivating environment for economic development of a country.

PROBLEMS IN THE CONDUCT OF EDPs

- No policy at the national Level
- Problems at the pre training phase
- Over estimation of trainees
- Duration of EDPs
- Non availability of Infrastructural facilities
- Improper methodology
- Mode of selection
- Non availability of Competent faculty
- Poor response of financial institutions.

SUGGESTIONS TO MAKE EDPs SUCCESSFUL

- Emphasis on stimulating , supporting and sustaining activities
- Model based EDPs
- Focus on achievement motivation
- Designing of viable projects
- Selection of trainees
- Training if trainers
- Organising part time programmes
- Duration of EDPs
- Critical evaluation of EDPs in India

CRITICAL EVALUATION OF EDPs IN INDIA

- ❖ In spite of increase in EDP activity, it is observed that by and large efforts have remained limited to certain areas and the approach in general has been somewhat haphazard.
- ❖ The programmes conducted by various agencies vary in duration, selection procedures, course content etc.
- ❖ Their contribution is very uneven among regions. They neglect growth of entrepreneurship in backward parts of even industrial areas due to lack of entrepreneurs or intrinsic factors like adverse terrain, soil etc.
- ❖ Their dispersal in rural/backward areas is not upto the mark.
- ❖ Enough attention is not being given to streamline and coordinate all activities related with programmes to get maximum results.
- ❖ They are more attuned to maintenance function than to development function.
- ❖ They are a costly affair. Their high budgets prevent them from becoming popular in a country like India.

Thus EDP in India is insufficient, uneven and not enough to develop entrepreneurial spirit.

Criteria for Evaluating EDPs

The behaviourial scientists used the following criteria to assess the effectiveness of EDPs in motivating the entrepreneurs:

- (i) Activity level of the respondents.
- (ii) New enterprise creation.
- (iii) Employment generation in quantifiable terms.
- (iv) Creation of job opportunities both directly and indirectly.
- (v) Increase in sales and profit.
- (vi) Enterprise expansion.
- (vii) Enterprise transformation.
- (viii) Improvement in quality of products or services.
- (ix) Repayment of loans.
- (x) Total investments made.
- (xi) Investments in fixed assets made.
- (xii) Number of people employed.

Questions to practice:

PART- A - 2 Marks

1. Examine the objectives of EDP.
2. Express Components of EDP.
3. Relate the need of EDP for the success of an entrepreneur.
4. Point out the achievements of entrepreneur development programme.
5. Indicate major activities of National Skill Development Corporation .
6. Prioritize the functions of Technical Consultancy Organisation .
7. Tell the steps followed by Entrepreneurship Development Institute of India in conducting EDPs.
8. Discover the Small Industries Development Bank of India's specially designed programs for the development of entrepreneurs .
9. Extend the suggestions to make EDPs successful.
10. Sketch the criteria for evaluating EDPs.

PART –B - 10 Marks

1. Appraise the role and relevance of Entrepreneurial Development Programme in India.
2. Report on any three organizations that conducts EDP to develop and motivate entrepreneurs.
3. Compile a case history of any successful Entrepreneur known to you.
4. Summarize the roles played by the i) TCO ii) EDII iii) NIESBUD in organizing EDP and developing entrepreneurs.
5. Explain the critical evaluation of EDPs in India and criteria for evaluating EDPs.

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SCHOOL OF MANAGEMENT STUDIES

UNIT – V –Entrepreneurship Development –SBAX1024

UNIT V:
ECONOMIC DEVELOPMENT AND ENTREPRENEURIAL GROWTH

Role of entrepreneur in economic growth- Strategic approaches in changing Economic scenario for small scale entrepreneurs- networking, niche play, geographic concentration, franchising/ dealership development of Women Entrepreneurship

Role of entrepreneur in economic growth:

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important input in the economic development of a country. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The major roles played by an entrepreneur in the economic development of an economy are discussed in a systematic and orderly manner as follows.

(1)Promotes Capital Formation:

Entrepreneurs promote capital formation by mobilizing the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities leads to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

(2)Creates Large-Scale Employment Opportunities:

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of thenation.

(3)Promotes Balanced Regional Development:

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc. Setting up of more industries lead to more development of backward regions and thereby promotes balanced regional development.

(4)Reduces Concentration of Economic Power:

Economic power is the natural outcome of industrial and business activity. Industrial development normally lead to concentration of economic power in the hands of a few individualswhich results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic poweramongst the population.

(5) Wealth Creation and Distribution:

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.

(6) Increasing Gross National Product and Per Capita Income:

Entrepreneurs are always on the lookout for opportunities. They explore and exploit opportunities,, encourage effective resource mobilization of capital and skill, bring in newproducts and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

(6) Improvement in the Standard of Living:

Increase in the standard of living of the people is a characteristic feature of economic development of the country. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.

(7) Promotes Country's Export Trade:

Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange from export in order to combat the import dues requirement. Hence import substitution and export promotion ensure economic independence and development.

(8) Induces Backward and Forward Linkages:

Entrepreneurs like to work in an environment of change and try to maximize profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development inthe country.

(9) Facilitates Overall Development:

Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialization is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.

Strategic approaches in changing Economic scenario for small scale entrepreneurs:

Risk taking ability, Self-confidence, Decision making ability, Knowledge of cumin growing to harvesting technology, Economic motivation, Market orientation, Risk factors, Soil and firm condition of experiences, Water resources, Water quality and volumes, need to cumin for all technical factors, Ability of co-ordination to cumin related activities, Achievement, Motivation, etc. indicators are behavior of entrepreneurial.

Entrepreneurship has gained greater significance at global level under changing economic scenario. Global economy in general and Indian economy in particular is poised for accelerated growth driven by entrepreneurship. Admits environment of super mall culture we find plenty of scope for entrepreneurship in trading and manufacturing.

An entrepreneur is a person who is able to look at the environment, identify opportunities to improve the environmental resources and implement action to maximize those opportunities (Robert E. Nelson) it is important to bear in mind the entrepreneurial skills that will be needed toimprove the quality of life for individuals, families and communities and to sustain a healthy economy and environment. Taking this into consideration, we will find that each of the traditional definitions has its own weakness (Tyson, Petrin, Rogers, 1994, p. 4).

The first definition leaves little room for innovations that are not on the technological or organizational cutting edge, such as, adaptation of older technologies to a developing-country context, or entering into export markets already tapped by other firms. Defining entrepreneurship as risk-taking neglects other major elements of what we usually think of as entrepreneurship, such as a well-developed ability to recognize unexploited market opportunities.

Entrepreneurship as a stabilizing force limits entrepreneurship to reading markets disequilibria, while entrepreneurship defined as owning and operating a business, denies the possibility of entrepreneurial behavior by non-owners, employees and managers who have no equity stake in the business. Therefore, the most appropriate definition of entrepreneurship that would fit into the rural development context, argued here, is the broader one, the one which defines entrepreneurship as: “a force that mobilizes other resources to meet unmet market demand”, “the ability to create and build something from practically nothing”, “the process of creating value by pulling together a unique package of resources to exploit an opportunity”.

It combines definitions of entrepreneurship by Jones and Sakong, 1980; Timmons, 1989; Stevenson, et al., 1985. Entrepreneurship so defined, pertains to any new organization of productive factors and not exclusively to innovations that are on the technological or organizational cutting edge, it pertains to entrepreneurial activities both within and outside the organization. Entrepreneurship need not involve anything new from a global or even national perspective, but rather the adoption of new forms of business organizations, new technologiesand new enterprises producing goods not previously available at a location (Petrin, 1991).

This is why entrepreneurship is considered to be a prime mover in development and why nations, regions and communities that actively promote entrepreneurship development, demonstrate much higher growth rates and consequently higher levels of development than nations, regions and communities whose institutions, politics and culture hinder entrepreneurship. An entrepreneurial economy, whether on the national, regional or community level, differs significantly from a non-entrepreneurial economy in many respects, not only by its economic structure and its economic vigorousness, but also by the social vitality and quality of life which itoffers with a consequent attractiveness to people.

Economic structure is very dynamic and extremely competitive due to the rapid creation of new firms and the exit of ‘old’ stagnant and declining firms Redefining entrepreneurship and innovation succeeding as an entrepreneur and an innovator in today’s world is vastly different from what it was earlier. Organizations will face seven trends in the next decade as they flight to survive, grow and remain competitive.

- Speed and uncertainty will prevail.
- Technology will continue to disrupt and enable.
- Demographics will dictate much of what happens in business.
- Loyalty will erode.
- Work will be done anywhere, anytime.
- Employment as we know it will disappear.

Networking, Niche play, Geographic concentration, Franchising/ Dealership

Networking

Building a network is vitally important to getting a business off the ground, and just as important to keep it growing in the long term. It serves several purposes to an entrepreneur.

Definition: Developing and using contacts made in business for purposes beyond the reason for the initial contact. For example, a sales representative may ask a customer for names of others who may be interested in his product.

The ability to network is one of the most crucial skills any entrepreneur can have. How else will you meet the clients and contacts necessary to grow your business? But many people are put off by the idea of networking, thinking it requires a phony, glad-handing personality that oozes insincerity. Nothing could be farther from the truth.

For example, that a good networker should be outgoing, sincere, friendly, supportive, a good listener or someone who follows up and stays in touch.

Many people go to networking events, but very few know how to network effectively. Networking is more than just getting out and meeting people. Networking is a structured plan to get to know people who will do business or introduce to those who will.

Niche Play

If an industry feels oversaturated with other businesses and competitors, standing out can sometimes seem impossible. But differentiating the brand in a crowded market is achievable with niche marketing.

What is Niche Marketing?

A niche market is the subset of the market on which a specific product is focused. The market niche defines the product features aimed at satisfying specific market needs, as well as the price range, production quality and the demographics that it is intended to target. It is also a small market segment.

Niche marketing is an advertising strategy that focuses on a unique target market. Instead of marketing to everyone who could benefit from a product or service, this strategy focuses exclusively on one group—a niche market—or demographic of potential customers who would most benefit from the offerings.

A niche market could stand apart from others because of:

- Geographic area
- Lifestyle
- Occasion
- Profession
- Style
- Culture
- Activity or habits
- Behavior
- Demographic
- Need
- Feature reduction or addition

The benefit of niche marketing is that it allows brands to differentiate themselves, appear as a unique authority, and resonate more deeply with a distinct set of customers. Rather than blend in with the many other brands that offer the same type of product or service, a brand can use niche marketing to stand out, appear more valuable, reach its growth potential, and build a stronger, longer-lasting connection with its ideal audience.

Niche Marketing Example

Niche markets are often segments of larger industries and verticals.

Divvies Vegan and Nut Free

There are hundreds of brands that sell sweet treats and snack foods such as cookies, brownies, popcorn, and cupcakes. While most people can choose from dozens of brands to find options that satisfy their cravings, there is a group of people who cannot. Those people have allergies or food restrictions that relate to animal products and nuts.

Divvies saw this underserved segment in the sweets industry and created a brand that exclusively targeted this group. Selling cookies and cupcakes is not a unique idea, but selling them as vegan and nut-free options differentiated Divvies in an already saturated market, allowing them to stand out and build a loyal customer base.

Franchising

Franchising is a combination of the name, brand or trademarks along with the business system. A franchise model requires the use of a UFDD, or Uniform Franchise Disclosure Document that clearly identifies and discloses the details of the business relationship and commitments required from both the franchisor and franchisee. Because franchise relationships include both the name and the business system, the franchisor retains the ability to control the operations and quality of service delivered by the franchisees who join the system.

Franchising is governed by the Federal Trade Commission in addition to local state laws and franchise regulations. A franchisor is held to strict processes and rules in how they may present a franchise and how franchise sales can be conducted. There is a significantly larger amount of regulation, process and cost associated with being a valid and compliant franchisor.

There are several reasons, but the most significant reason being control. Franchise expansion allows the franchisor to control the quality of the franchisee's business and services delivered. This allows the franchise system to control when and how the brand is used in commerce. Franchisors have the ability to stop franchisees who are not representing the brand in a conduct that is deemed appropriate. A well written and defined UFDD allows for an efficient and effective business relationship that also provides legitimate control to the franchisor and the ability to shut down a franchisee who is not meeting the standards of the franchise organization.

Types of Franchising:

Franchising arrangements are broadly classified into three types:

1. Product Franchising
2. Manufacturing Franchising
3. Business-Format Franchising

A brief description about each of these as follows:

1. Product Franchising:

This is the earliest type of franchising. Under this, dealers were given the right to distribute goods for a manufacturer. For this right, the dealer pays a fee for the right to sell the trademarked goods of the producer. Product franchising was used, perhaps for the first time, by the Singer Corporation during the 1800s to distribute its sewing machines. This practice subsequently became popular in the petroleum and automobile industries also.

2. Manufacturing Franchising:

Under this arrangement, the franchisor (manufacturer) gives the dealer (bottler) the exclusive right to produce and distribute the product in a particular area. This type of franchising is commonly used in the soft-drink industry.

3. Business-format Franchising:

This is recent type of franchising and is the most popular one at present. This is the type that most people today mean when they use the term franchising. In the United States, this form accounts for nearly three-fourth of all franchised outlets.

Business-format franchising is an arrangement under which the franchisor offers a wide range of services to the franchisee, including marketing, advertising, strategic planning, training, production of operations manuals and standards and quality – control guidance.

The International Franchise Association (IFA) of America has defined business format franchising as follows:

"A franchise operation is a contractual relationship between the franchisor and franchisee in which the franchisor offers or is obligated to maintain a continuing interest in the business of the franchisee in such areas as knowhow and training; wherein the franchisee operates under a common trade name, format and or procedure owned or controlled by the franchisor, and in which the franchisee has or will make a substantial capital investment in his business from his own resources (Mendelsohn 1979)."

Some authors have classified franchising into yet other three types as follows:

1. Trade-name Franchising

2. Product Distribution Franchising

3. Pure Franchising

A brief description about each of these follows:

1. Trade-name Franchising:

When franchisee purchases the right to use the franchisor's trade name without actually distributing the specific trade mark products exclusively using the name of the franchisor, this is called 'trade-name franchising.'

2. Product Distribution Franchising:

Such franchising involves a system in which a franchisor gives license to the franchisee to sell the specific products under the trademark and brand name of the franchisor. This type of franchising is commonly used to market automobiles (such as Chevrolet), soft-drinks (such as Coca-Cola) and appliances. It is worth mentioning that these two types of franchising give franchisees some sort of franchisor's identity.

3. Pure Franchising:

When franchisor sells the complete business format and system of his/her product to the franchisee, it is called 'pure franchising.' In other words, this type of franchising provides the franchisee with a complete business format including license for a trade name, the product or service to be marketed, the physical plant, methods of operation, a marketing strategy plan, a quality control process, and so on. Such type of franchising is common among fast-food restaurants (such as McDonalds) hotels, educational institutions (such as Delhi Public School, (DPS), and many others.

Franchising – Advantages and Disadvantages

Advantages:

1. To the Franchiser:

(i) The franchiser can enter into foreign markets and new territories in the domestic market safely and easily.

(ii) The franchiser can expand his business without investing a large amount of money. The cost of new premises and extra staff is done by the franchisee.

(iii) A regular income is received by way of royalty or fee from franchisee.

(iv) With expansion of business, the franchiser can obtain economies of scale through bulk buying from suppliers.

(v) The franchisees have a financial stake in business. Therefore, they are likely to work very hard to make them succeed.

(vi) The franchiser retains control over the franchisees.

(vii) The franchiser can increase his goodwill by expanding his network. His brand name becomes popular.

(viii) The franchiser gets feedback about the needs and preferences of customers from the franchisees.

2. To the Franchisee:

(i) Support and advice is available from the franchiser in respect of staff training and marketing. Such support is available not only in the initial stages but also on a continuing basis.

(ii) The franchisee can start his business with less initial investment than what is required without a franchise.

(iii) The franchisee gains from the established name, brand and national advertising of the franchiser.

(iv) The chance of failure is minimum due to proven success of the product and its secure place in the market. Franchising allows people to start and run their business with less risk.

(v) Banks are more willing to lend money to a franchisee because documented information relating to the success of other franchisees with the same product or service is available.

Disadvantages:

1. To the Franchiser:

(i) The franchiser's trade name and reputation may be tarnished if the franchisee does not maintain standards of quality and service.

(ii) The franchiser has to provide initial financial assistance and specialist advice.

(iii) There are ongoing costs of supporting the franchisee and national advertising.

2. To the Franchisee:

(i) The franchisee does not have complete independence in his business.

(ii) The franchisee has to make payment of royalties on a regular basis.

(iii) In some cases the franchisee is required to buy all supplies from the franchiser even though cheaper local alternatives may be available.

(iv) The franchisee may not be able to sell the business without the franchiser's approval.

Dealership

Dealers are people or firms who buy and sell securities for their own account, whether through a broker or otherwise. A dealer acts as a principal in trading for its own account, as opposed to a broker who acts as an agent who executes orders on behalf of its clients.

- Dealers are important figures in the market as they are market makers, create liquidity, and help promote long-term growth in the market.
- Dealers must be registered with the Securities and Exchange Commission and must comply with all state requirements before they can begin working.
- Dealers are different from traders and brokers—the former buys and sells for one's own account, while the latter does not trade for its portfolio.

Women Entrepreneurs

Women entrepreneur may be defined as a woman or group of women who initiate, organize, and run a business enterprise. In terms of Schumpeterian concept of innovative entrepreneurs, women who innovate, imitate or adopt a business activity are called “women entrepreneurs”.

The Government of India has defined women entrepreneurs based on women participation in equity and employment of a business enterprise. Accordingly, the Government of India (GOI2006) has defined women entrepreneur as “an enterprise owned and controlled by a women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women.” However, this definition is subject to criticism mainly on the condition of employing more than 50 per cent women workers in the enterprises owned and run by the women.

In nutshell, women entrepreneurs are those women who think of a business enterprise, initiate it, organize and combine the factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running a business enterprise.

Functions of Women Entrepreneurs:

As an entrepreneur, a woman entrepreneur has also to perform all the functions involved in establishing an enterprise. These include idea generation and screening, determination of objectives, project preparation, product analysis, and determination of forms of business organization, completion of promotional formalities, raising funds, procuring men, machine and materials, and operation of business.

Frederick Harbison (1956) has enumerated the following five functions of a woman entrepreneur:

1. Exploration of the prospects of starting a new business enterprise.
2. Undertaking of risks and the handling of economic uncertainties involved in business.
3. Introduction of innovations or imitation of innovations.
4. Coordination, administration and control.
5. Supervision and leadership.

With the spread of education and new approaches/awareness, women entrepreneurs are achieving higher level of 3E’s, namely: (i) Engineering (ii) Electronics (iii) Energy. Though we should not forget certain Psycho-Social Barriers which hinders the growth of women entrepreneurs.

Opportunities:

- Free entry into world trade and encouragement to innovations and inventions.
- Improved risk taking ability.
- Governments of nations withdrawn some restrictions
- Technology and inventions spread into the world.
- Promotion of healthy completions among nations
- Consideration increase in government assistance for international trade.
- Establishment of other national and international institutes to support business among nations of the world.
- Social and cultural development

Challenges:

- Problems of raising equity capital
- Difficulty in borrowing fund.
- Thought-cut completions endangered existence of small companies.
- Problems of availing raw-materials.
- Problems of obsolescence of indigenous technology. Increased pollutions Ecological imbalanced.
- Problems of TRIPS and TRIMS.
- Exploitation of small and poor countries, etc.

Suggestions

- Govt. should provide separate financial fund of women's entrepreneur.
- We should provide her special infrastructure facilities whatever she deeds.
- Govt. should arrange special training programmes of women entrepreneurship
- Govt. should felicitate top ranked women's entrepreneur.
- Women entrepreneur should more competitive and efficient in the local & international market.
- Use should invite successful women entrepreneurs from foreign countries.

Rural Entrepreneurship:

Meaning and Definition:

In simple words, rural entrepreneurship implies entrepreneurship emerging in rural areas. In other words establishing industries in rural areas refers to rural entrepreneurship. This means rural entrepreneurship is synonymous with rural industrialization.

(i) According to Khadi and Village Industries Commission (KVIC):

"Village industry or rural industry means any industry located in rural area, population of which does not exceed 1000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand Rupees".

(ii) According to the Government of India:

An industry located in rural area, village or town with population of 20,000 and below and an investment up to Rs. 3 corers in plant and machinery, land and building is classified as village industry.

Summary

The entrepreneurs provide a magical touch to an organization, whether in public or private or joint sector, in achieving speed, flexibility, innovativeness, and a strong sense of self-determination. They bring a new vision to the forefront of economic growth.

Questions to practice:

PART- A - 2 Marks

1. Define women entrepreneur.
2. Show how Rural Entrepreneur can be developed.
3. State the functions of women entrepreneur.
4. Recall franchising.
5. Illustrate niche play.
6. Recognize the term networking.
7. Sketch the opportunities for women entrepreneurs.
8. Identify the advantages of franchising to an entrepreneur.
9. Extract the functions of franchising.
10. Associate the functions of networking for an entrepreneur.

PART- B - 10 Marks

1. Relate the benefits of networking, niche play, franchising and dealership to an entrepreneur.
2. Summarize the business opportunities available to an entrepreneur based on the various types of Franchises.
3. Appraise the Role of an Entrepreneur in Economic Development.
4. Recommend the strategic approaches in changing Economic scenario for small scale entrepreneurs.
5. Report on women entrepreneurs in India.

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