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PAPER XV

Entrepreneurship Management

Unit - I

Entrepreneurship – Definition, Role and expectations – Entrepreneurial styles and types – Characteristics of the Entrepreneur – Functions of an Entrepreneur – Promotion of Entrepreneurship – Role of Socio-Cultural, Economic and Political Environment – Growth of Entrepreneurship in Pre and Post independence era – Constraints for the Growth of Entrepreneurial Culture.

Unit - II

Entrepreneurial Motivation Theories - Entrepreneurial Competencies – Developing Competencies – Role of Entrepreneur. Development Programs – Assistance Programme for Small Scale Units – Institutional Framework – Role of SSI Sector in the Economy – SSI Units – Failure, Causes and Preventive Measures – Turnaround Strategies.

Unit - III

Identification of Business Opportunity – Preparation of Feasibility Report – Financial and Technical Evaluation – Project Formulation – Common Errors in Project Formulation – Specimen Project Report – Ownership Structures – Proprietorship, Partnership, Company, Co-operative, Franchise.

Unit - IV

Corporate Entrepreneurship (Intrapreneurship) – Concepts – Need – Strategies - Corporate Practices – Select Cases – Dynamics of Competition – Plans for Survival and Growth.

Unit - V

Women Entrepreneurship – Need – Growth of women Entrepreneurship – Problems faced by Women Entrepreneurs – Development of women Entrepreneurship – Entrepreneurship in Informal Sector – Rural Entrepreneurship – Entrepreneurship in Sectors like Agriculture, Tourism, health case, Transport and allied services.

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UNIT – I

Unit Structure

Lesson 1.1 - An Overview of Entrepreneurship

Lesson 1.2 - Entrepreneurial Environments

Lesson 1.3 - Entrepreneurial Cultures

Lesson 1.4 - Innovations and Entrepreneurship

Lesson 1.1 - An Overview of Entrepreneurship

Learning Objectives

Having gone through this lesson, you may be able to:

- Understand the concepts of entrepreneurship, its need and scope
- Understand meaning of term entrepreneur, classification of entrepreneur and qualities of an entrepreneur
- Appreciate the concept of innovation

Introduction

Entrepreneurship refers to all those activities which are to be carried out by a person to establish and to run the business enterprises in accordance with the changing social, political and economic environments.

Entrepreneurship includes activities relating to the anticipation of the consumers likes and dislikes, feelings and behaviors, tastes and fashions and the introduction of business ventures to meet out all these expectations of the consumers.

Entrepreneurship is considered as a 'new product' that would enable businessmen to develop new form of business organization and

new business activities catering to the changing needs of the society. The liberalization of cultural rigidities are mainly due to this new product 'entrepreneurship'.

Entrepreneurship is the ability of entrepreneurs to assess the risks and establish businesses which are risky but at the same time suits perfectly to the changing scenarios of the economy.

The two major factors determine the entrepreneurship developments are:

1. Risk taking ability of entrepreneurs and
2. Power of achievement of entrepreneurs

The other factors are:

1. The performance of speculative functions to gain edge over others.
2. Considering new factors of production, time, technology and quality for success.
3. Availing new sources of capital
4. Performing functions of employer, master, merchant and undertaker.
5. Supply goods and services which are hitherto unknown to consumers.
6. Find a new market which is hitherto unexploited.
7. Seizing new opportunities for exploitation.
8. Developing the less developed countries and developing nations
9. Decision making under uncertain situations.

Entrepreneurship development could be made through a collective approach of the qualified individuals and the entrepreneurial role played by the Government and other agencies. They strive for betterment and provide conducive infrastructure including the technology that is unheard and unthought so far.

The essential Elements of Entrepreneurship Development are given in the following exhibit.



Concepts of Entrepreneurial Traits

The three prevailing concepts of entrepreneurship are:

1. Psychological Traits

Entrepreneurship development is due to the ability of the individuals' urge to achieve something in their life. This concept was developed by Mc Clelland. According to him individuals have psychological urge to achieve something new. Of course the degree of urge varies from one individual to the another. Those who have high degree of urge to achieve in their life become entrepreneurs and all the activities enabling them to fulfill their urges are called entrepreneurship.

Mc Clelland's research results reveal that the entrepreneurship and its development are the results of a combination of three needs of individuals viz.,

a. Low need for achievement.
b. High need for power and
c. Low need for affiliation.

2. Sociological Traits

Entrepreneurship development is also due to the sociological traits of the individuals living in a particular place. Certain individuals would like to attain status in the society by means of setting up of a new business or industry. However, they are allowed to act within the constraints of the cultural norms and religious moves that are customary in the society.

3. Economic Factors

Apart from the psychological and sociological factors, entrepreneurship development is also due to the existing economic activities of the state where the entrepreneurs live. Individuals learn from the existing economic activities as how best to equip themselves for meeting the future challenges. They collect adequate economic and technical information and decide as how best to introduce new business that suits to the expectations of the Government and its revised economic policies.

Thus, the concept of entrepreneurship is very is widely changing and entrepreneurship and its development is said to be in existence so long as the humankind are in existence and the spheres of entrepreneurship activities are getting multiplied every now and then due to the changes that have been taken place in the liberalization, Privatization, and Globalization (LPG) era.

Definition of Entrepreneurship

In a changing environment, the entrepreneurship development activities are getting multiplied. Since the dawn of industrial revolution to till date, we encountered certain drastic changes in the economic activities. Thus, it is not an easy task to give a comprehensive definition for the word 'entrepreneurship'. Despite that, relevant definitions of entrepreneurship are listed here.

"Entrepreneurship as the function of seeking investment and production opportunity, organising an enterprise to undertake a new production process, rising capital, hiring labour, arranging the supply of materials, finding site, introducing new techniques and commodities, discovering new sources of raw materials and selecting top managers of day to day operations of the enterprise".

Need and Scope of Entrepreneurship Development

The word 'Entrepreneurship' is very often confused with the word Entrepreneur'. They look alike but carry different meanings. Entrepreneurship is nothing but all those activities which are to be undertaken by an entrepreneur. The prevailing socio, political and economic activities act as a propelling force for the aspiring personalities to become entrepreneurs. Entrepreneurship development is the outcome of the entrepreneurs. In other words, the entrepreneurs give birth to entrepreneurship. This statement is partially true because certain activities of the entrepreneurs are due to the existing policies and programmes of the Central as well as the state governments and not only by the entrepreneurs themselves. Under such circumstances, it is not the entrepreneurs who give birth to entrepreneurship. Instead, it is the existing entrepreneurship development programmes that give birth to entrepreneurs. The emergence of entrepreneurs and the level of entrepreneurship development are also the far reaching changes that are taking place in the social and political activities rather than changes taking place in the economic activities.

Entrepreneur can not emerge from the vacuum. Entrepreneurship development depends upon the environment (both external and internal) within which the entrepreneurs have to do their business. Entrepreneurs are closely associated with the existing as well as the past entrepreneurial activities of the society. Business opportunities are identified from the social, political and economic crisis and in turn these crisis become the favourable climate for the entrepreneurs to innovate new business ventures. From this perspective, it is true that entrepreneurial activities are the resultant efforts of the prevailing entrepreneurship development programmes.

On the other hand, entrepreneurs keenly observe the society and its economic activities and try to elicit innovative business opportunities. They

try to make use of the modern technology and manufacture new products which are hitherto unknown to the market and induce the consumers to buy them and thereby improving their standard of living. It is possible for entrepreneurs to find new market, new product and introduce a new form of organization. Therefore, the entrepreneurship development is due to the innovative thoughts and actions of the entrepreneurs. Thus the term entrepreneur and entrepreneurship are different and complementary with each other. Let us see the need and scope of entrepreneurship development in the forthcoming pages.

Scope of Entrepreneurship Development

Entrepreneurship development could be made in all walks of the society and in all fields of activities. The scope of entrepreneurship development encompasses the following:

I. To Identify Entrepreneurial Activities

1. The entrepreneurial activities 'and opportunities could be identified by the planner of the Government. The Government through various economic policies and programmes like 'Globalisation', 'Privatisation', 'Liberalisation', 'Free Export and Import of Goods and Services' inviting NRI's capital introduction of innovation in the stock market activities, and the establishment of SSI identifies entrepreneurship opportunities. These programmes give ample opportunities for the entrepreneurship development.
2. To liberalise the existing licensing policies and offer incentives and thereby attract multinational companies of various countries to develop new industries in the backward regions.
3. To encourage the researchers of entrepreneurship development to find new opportunities for the business and industrial development.
4. To identify the existing and the emerging economic, social and political crisis and find out a suitable remedial measure to overcome the crisis.
5. To offer training to the first generation entrepreneurs and encourage them to enter into new business ventures.
6. To find out the entrepreneurial activities of the neighboring countries and the international financial institutions and other

associated activities like bilateral agreements, SAARC countries Agreement, Common Wealth Countries agreements and Non-Aligned Nations agreements and the like.

7. To encourage the institutions engaged in the industrial development to find avenues for entrepreneurship development. The institutions informing entrepreneurial opportunities are:

    1. The Government's sponsored institutes.
    2. University Departments and entrepreneurship development institutions.
    3. Voluntary organisations and research agencies.
    4. The commercial banks and
    5. Industrial Development Institutions.

II. Imparting Training to Develop Entrepreneurial Talents

Entrepreneurs can be made by means of allowing them to undergo rigorous training. The level of entrepreneurship development especially in all underdeveloped countries depends upon the extent with which the aspiring men are given training. Through training, they can be able to improve their power of achievement and power of affiliation. Training of this type shall be given to the young pupil even at the school level. The training enables entrepreneurs:

a. To know as how to search the innovative business ideas.
b. To know the various sources available for new business ideas.
c. How to process and find out the best ideas.
d. To know the various input requirements for the proposed business.
e. To find out the location for the proposed business.
f. To know as how to fulfill the various legal formalities.
g. To know as how best to make use of the existing infrastructural facilities.
h. To know the various sources of finance available for the new business venture.
i. To know as how best to overcome the resistance, and
j. To know as how to assess the market and future trend.

III. To Develop Infrastructural Facilities

Entrepreneurship development could be possible through the setting up of both social and economic infrastructural facilities for the aspiring entrepreneurs. The following infrastructural facilities are worth noting:

1. Impart entrepreneurship education to the pupils at the school level so as to enable them to develop the entrepreneurial talents.
2. Establish a separate Department of Entrepreneurship Development or School of Entrepreneurship Development at the College/ University level and allow the academics to' undertake researches on 'Entrepreneurship Development' and its allied activities.
3. Conduct the 'Entrepreneurship Development Programmer's through the setting up of Entrepreneurship Training Institutions at least at the taluk level in all parts of the country.
4. The State Governments shall give special attention to the entrepreneurship development programme. They can in collaboration with the neighboring states, chalk out a programme of action for developing entrepreneurial activities in a phased manner.
5. The existing financial institutions especially the commercial banks situated in rural areas shall take utmost care in identifying the aspiring entrepreneurs and offer not only the required financial assistance but also the required managerial techniques so as to enable them to establish new business and withstand in the market.
6. Institutions which are engaged in the development of small industries shall frame long range planning in developing entrepreneurial talents. They should monitor the changing industrial and business scenarios and determine the future course of actions to be taken to improve the entrepreneurship development.
7. The role of R & D institutions is not only to innovate but also to inform the entrepreneurs as how best to make use of the innovation and apply in the manufacturing process. These institutions should act as entrepreneur and all its activities constitute entrepreneurship.
8. Entrepreneurship development depends upon the existence of a stable Government so that industrialists and business magnets

could have long range planning. Foreign investors would not hesitate to go over to any other country if there is an existence of a stable Government.

9. The availability of finance in time is yet another support for the entrepreneurship development. The existing tools for the better financial management are not adequate. They could be used in the giant business concerns only. Hence, the immediate need of the hour is to develop new tools that must be suitable for the effective utilisation of finance in the small scale industrial units.

   Identification of the effective utilisation of the available finance itself creates ground for the development of entrepreneurial activities. The entrepreneurs could be able to mobilise funds from existing stock market arid the market shall imbibe confidence in the minds of small investors that their investments are protected and "'used for profitable business opportunities.

10. There must be an existence of the skilled labourers and experts who are able to make use of the latest technology. Timely, adaptation of the new technology ensures entrepreneurship development, since there are chances for making use of the new technology for alternative purposes.

11. Entrepreneurship could be developed through an effective communication net work. It avoids scarcity of information and ensures equilibrium in updating the knowledge of the people of the entire globe. It enables a uniform growth of the economy. The entire globe in these days is considered as a village owing to the fast communication new work system.

Absence of one or more of the above said infrastructures hinder the growth of entrepreneurship development. What is needed at present is a comprehensive planning as how best to help the young entrepreneurs to avail these infrastructure facilities.

IV. Ascertain the demand and Supply of Entrepreneurs

It is true that the economic growth depends upon the existence of the technical progress. The level of technical progress in turn depends upon the existence of the entrepreneurs. In other words, the economic growth is the resultant effect of the existing as well as future demand for

and supply of entrepreneurs. Disequilibrium between these two affects the economic growth. Excess supply of entrepreneurs over demand leads to exploitation of natural resources beyond the required level. Of course it leads to 'super development'. This is one side of argument. The other side of the argument is how to measure the excess supply. If the measure it with the help of the variable' development', we can say that excess supply is found in all the industrially advanced countries. In real life, what is advanced to-day in industrially advanced countries becomes a common phenomenon tomorrow in all other developing and less developed countries.

If such is the case, it is proved that excess supply of entrepreneurs is only an imagination and it will never become true. In other words the demand for entrepreneur is a constant factor and is in existence for ever. The supply of entrepreneurs could be enhanced through motivation. As propounded my Mc Clelland, any society with generally high level of achievement will produce more real entrepreneurs who can accelerate the growth of the economy. Max Weber suggested that entrepreneurship is the outcome of the existing social conditions of the society. He was of the opinion that the entrepreneurs' personality has been determined and shaped by the existing social customs and values of the society. The living conditions of the society have been influenced by the existing cultural and religious norms, economic status of the people, their castes and inter group relations.

However it has been observed from the history that achievement of individuals is always greater than the achievement of groups. Entrepreneurship development too could be achieved more by individuals.

Definition of Entrepreneur

An entrepreneur is one of the important segments of economic growth. Basically, an entrepreneur is a person who is responsible for setting up a business or an enterprise. In fact, he is one who has the initiative, skill for innovation and looks for high achievements. He is a catalytic agent of change and works for the welfare of people.

The entrepreneur is a critical factor in the socio-economic change. He is the key man who envisages new opportunities, new techniques, new lines of production, new products and coordinates all other activities.

The term 'entrepreneur' is defined in different manners by different experts.

"Entrepreneur is one who innovates, raises money, assembles inputs, chooses managers and sets the organisation going with his ability to identify them and opportunities which others are not able to identify and is able to fulfill such economic opportunities. Innovation occurs through i) Introduction of a new quality in a product of ii) new product iii) discovery of fresh demand and fresh sources of supply and iv) by change in the organisation and management".

Functions of an Entrepreneur

An entrepreneur is expected to perform the following functions.

1. Risk Absorption

The entrepreneur assumes all possible risks of business. A business risk also involves the risk due to the possibility of changes in the tastes of consumers, techniques of consumers, techniques of production and new inventions. Such risks are not insurable. If they materialise, the entrepreneur has to bear the loss himself. Thus, Risk-bearing or uncertainty-bearing still remains the most function of an entrepreneur. An entrepreneur tries to reduce the uncertainties by his initiative, skill and good judgment.

2. Formulate Strategic Business Decisions

The entrepreneur has to decide the nature and type of goods to be produced. He enters the particular industry which offers from he best prospects and produces whatever commodities he thinks will pay him the most employs those methods of production which seem to him the most profitable. He effects suitable changes in the size of the business, its location techniques of production and does everything that is needed for the development of his business.

3. Execute Managerial Functions

The entrepreneur performs the managerial functions though the managerial functions are different from entrepreneurial functions. He formulates production plans, arranges finance, purchased, raw material,

provides, production facilities, organises sales an assumes the task of personnel management. In a large establishment these management functions are delegated to the paid managerial personnel.

4. Adopt Innovation Function

An important function of an entrepreneur is "Innovation". He conceives the idea for the improvement in the quality of production line. He considers the economic inability and technological feasibility in bringing about improve quality. The introduction of different kinds of Electronic gadgets is an example of such an innovation of new products. Innovation is an ongoing function rather than once for all, or possibly intermittent activity.

Characteristics of Entrepreneur

1. Facilitating Character

An entrepreneur must build a team, keep it motivated, and provide an environment for individual growth and career development.

2. Self-Confidence

Entrepreneurs must have belief in themselves and the ability to achieve their goals.

3. Work with Vision and Mission

An entrepreneur must be committed to the project with a time horizon of five to seven years. No ninety-day wonders are allowed.

4. High Degree of Endurance

Success of an entrepreneur demands the ability to work long hours for sustained period of time.

5. Trouble Shooting Nature

An entrepreneur must have an intense desire to complete task or solve a problem. Creativity is an essential ingredient.

6. Initiative and Enterprising Personality

An entrepreneur must have initiative, accepting personal responsibility for actions, and above all make good use of resources.

7. Goal Setter

An entrepreneur must be able to set challenging but realistic goals.

8. Calculated Risk-Taking Ability

An entrepreneur must be a moderate risk-taker and learn from any failures.

Entrepreneur Vs Entrepreneurship

The major differences between these two terms are as follows.

Entrepreneurship is the function of seeking investment and production opportunity organising an enterprise to undertake a new production process, raising capital, arranging labour and raw materials, finding a site introducing a new technique and commodities, discounting new sources for the enterprise. Entrepreneur is one who combines capital and labour for the purpose of production.

Entrepreneur, Entrepreneurship and Enterprise

The word entrepreneur literally came from French language meaning someone who undertakes an enterprise.

The word enterprise is attached to self-propelled, usually self-made businessman who thinks about a venture, dreams it, starts it, works on it and grow with it.

Entrepreneurship could be defined as ability of an individual or a group of individual to introduce changes or innovate like introduction of a new product or service, opening of a new market and carrying out a new organisation. These are indeed the early American thoughts an Entrepreneurship. Entrepreneur is a man who invests and risks time, money and effort to start a business and make it successful.

Any undertaking / venture involving some economic activity which requires risk taking ability, resources mobilization efforts, keen planning and organisation and effective decision making skill in all types of decision situations. It has got a separate entity and perpetual successions. It consists of people who work together mainly for production and selling of goods and services so as to make some economic gains. It may be of private or public, small or large, domestic or international.

Thus Entrepreneur refers a person, entrepreneurship indicates the process adopted by him and enterprise is the work place where in he adopts his entrepreneurial skilled.

Types of Entrepreneurs

Entrepreneurs are classified as under different heads as given below. This helps the potential entrepreneurs to choose his own nature and style of entrepreneurship.

According to the Type of Business

Entrepreneurs are found in various types of business occupations of varying size. We may broadly classify them as follows:

Business Entrepreneur

Business entrepreneurs are individuals who conceive an idea for a new product or service and then create a business to materialize their idea into reality. They tap both production and marketing resources in their search to develop a new business opportunity. They may set up a big establishment or a small business unit. Trading entrepreneur is one who undertakes trading activities and is not concerned with the manufacturing work. He identifies potential markets, stimulates demand for his product line and creates a desire and interest among buyers to go in for his product. He is engaged in both domestic and overseas trade.

Industrial Entrepreneur

Industrial entrepreneur is essentially a manufacturer who identifies the potential needs of customers and tailors product or service to meet the

marketing needs. He is a product oriented man who starts in an industrial unit because of the possibility of making some new product.

Corporate Entrepreneur

Corporate entrepreneur is essentially a manufacturer who identifies the potential needs of customers and tailors product or service to meet the marketing needs. He is a product oriented man who starts in an industrial unit because of the possibility of making some new product.

Corporate entrepreneur is a person who demonstrates his innovative skill in organising and managing a corporate undertaking. A corporate undertaking is a form of business organisation which is registered under some statute or Act which gives it a separate legal entity.

Agricultural Entrepreneur

Agricultural entrepreneurs are those entrepreneurs who undertake such agricultural activities as raising and marketing of crops, fertilizers and other inputs of agriculture. According to the use of Technology.

Technical Entrepreneur

A technical entrepreneur is essentially an entrepreneur of "Craftsman type". He develops a new and improved quality of goods because of his craftsmanship. He concentrates more on production than marketing. He does not care much to generate sales by applying various sales promotional techniques. He demonstrates his innovative capabilities in matters of production of goods and rendering services.

Non-technical Entrepreneur

Non-technical entrepreneurs are those who are not concerned with the technical aspects of the product in which they deal. They are concerned only with developing alternative marketing and distribution strategies to promote their business.

Professional Entrepreneur

Professional entrepreneur is a person who is interested in establishing a business but does not have interest in managing or operating it once it is established.

According to Motivation

Motivation is the force that influences the efforts of the entrepreneur to achieve his objectives. An entrepreneur is motivated to achieve or prove his excellence in job performance. He is also motivated to influence others by demonstrating his power thus satisfying his ego.

Pure Entrepreneur

A pure entrepreneur is an individual who is motivated by psychological and economic rewards. He undertakes an entrepreneurial activity for his personal satisfaction in work, ego or status.

Induced Entrepreneur

Induced entrepreneur is one who is being induced to take up an entrepreneurial task due to the policy measures of the government that provides assistance, incentives, concessions and necessary overhead facilities to start a venture. Most of the entrepreneurs are induced entrepreneurs who enter business due to financial, technical and several other several other provided to them by the state agencies to promote entrepreneurship.

Motivated Entrepreneur

New entrepreneurs are motivated by the desire for self-fulfillment. They come into being because of the possibility of making and marketing some new product for the use of consumers. If the product is developed to a saleable stage, the entrepreneur is further motivated by reward in terms of profit and enlarged customer network.

Spontaneous Entrepreneur

These entrepreneurs start their business out of their natural talents and instinct. They are persons with initiative, boldness and confidence in their ability which motivate them to undertake entrepreneurial activity.

Growth Entrepreneur

Growth entrepreneurs are those who necessarily take up a high growth industry. These entrepreneurs choose an industry which has substantial growth prospects.

Super-Growth Entrepreneur

Super-growth entrepreneur are those who have shown enormous growth of performance in their venture. The growth performance is identified by the liquidity of funds, profitability and gearing.

According to Stages of Development

First-Generation Entrepreneur

A first generation entrepreneur is one who starts an industrial unit by means of an innovative skill. He is essentially an innovator, combining different technologies to produce a marketable product or service.

Modern Entrepreneur

A modern entrepreneur is one who undertakes those ventures which go well along with the changing demand in the market. They undertake those ventures which suit the current marketing needs.

Classical Entrepreneur

A classical entrepreneur is one who is concerned with the customers and marketing needs through the development of a self supporting venture. He is a stereotype entrepreneur whose aim is to maximize his economic returns at a level consistent with the survival of the firm with or without an element of growth.

Innovating Entrepreneurs

Innovating entrepreneurship is characterized by aggressive assemblage of information and analysis of results, deriving from a novel combination of factors. Men/women in this group are generally aggressive in experimentation who exhibit cleverness in putting attractive possibilities into practice. One need not invent but convert even old established products or services, by changing their utility, their value, their economic characteristics, into something new, attractive and utilitarian. Therein lies the key to their phenomenal success. Such an entrepreneur is one who sees the opportunity for introducing a new technique of production process or a new commodity or a new market or a new service or even reorganization of an existing enterprise.

Imitative Entrepreneurs: Imitative entrepreneurship is characterized by readiness to adopt successful innovations by innovating entrepreneurs. They first imitate techniques and technology innovated by others.

Fabian Entrepreneurs

These categories of entrepreneurs are basically running their venture on the basis of conventions and customary practices. They don't want to introduce change and not interested in coping with changes in environment. They have all sorts of inhibitions, shyness and lethargic attitude. They are basically risk aversor and more cautious in their approach.

Drone Entrepreneurs

Entrepreneurs who are reluctant to introduce any changes in their production methods, processes and follow their own traditional style of operations. Though they incur losses and looses their market potential, will not take any effort to overcome the problem. Their products and the firm will get natural death and knockout.

Forced Entrepreneurs

Sometimes, circumstances made many persons to become entrepreneurs. They do not have any plan, forward looking and business

aptitude. To mitigate the situational problem, they are forced to plunge into entrepreneurial venture. Most of the may not be successful in this category due to lack of training and exposure.

Ten Steps to Become an Entrepreneur

Bruce Cameron, in his book Getting Started, writes that businesses don't just happen, and that you should assess first whether you should venture out on your own, He recommends that you follow these ten steps in trying to make it on your own:

Assess Yourself

Are you able to sacrifice enough, have you got self-responsibility and finances to commit?

Get Your Personal Finances in Order

Get rid of personal debt and protect yourself against the unexpected first, if you can't, delay starting your own business.

Identify Your Skills

Stick to what you know best. List all your skills and Interests and assess which you can use to successfully run a business.

Research the Market

Is there a need for that type of business' See if you can establish a need for your product or service before committing yourself to it.

Draw up a Business Plan

Before you start your business, you need to be able to predict whether you'll make a profit or not, A business plan will help you do this.

What are Your Resources?

Check what are at your disposal and what you need to get. This Includes financial, skills, equipment and raw materials.

Draw up a Financial Plan

In the early stages, you need cash to keep going, Otherwise you cut costs, reduce services and thus lose sales. Make sure your financial plan can tide you over.

Business Ownership Structure

Choosing one of the four possible structures for owning your business has far--reaching influences on your taxes and legal liability choose carefully.

Enterprise Choices

How should you start your business? From scratch, or buy an existing business? Or should you buy into an existing business or a franchise?

Revisit Your Start-Up Plans

Everything you do in starting up your business, you need to measure up against your predictions and expectations in your original business plan test all aspects and readjust your plan if needed.

All other categories of entrepreneurs are of self explanatory in nature and hence not discussed.



Summary

Thus this lesson vividly explains to you the basic concepts of entrepreneurship, its need and scope. Entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base. Knowledge in entrepreneurship is a means to an end. In deed, what contributes knowledge in practice is largely defined by the ends, that is, by practice.

Besides, it tells you that who is an entrepreneur what are the qualities of successful entrepreneur, different classification of entrepreneur. Finally it highlights the principles and significance of innovating character of an entrepreneur.

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Lesson 1.2 - Entrepreneurial Environment

Learning Objectives

Having gone through this lesson, you may be able to:

- Understand the need for knowing about environment
- Appreciate classification of prevailing business environment
- Analyse the factors influencing entrepreneurial environment

Introduction

"Suitable Environment and intuition in grasping the essential facts promotes entrepreneurship"

—Schumpter

Entrepreneurial venture of any sort/nature is being influenced by complex and varying mixture of financial, institutional, cultural and personality factors. Economic system and other conditions in the environment determine the success of commercial venture. Environment refers to the totality of all factors which are external and beyond the control of the business enterprise. It determines how entrepreneurship control and manage the unit. The entrepreneurial performance of an enterprise is influenced by the value system of the society, the rules and regulations made by the government, the monetary policies of the capital market, foreign investments etc. If environment changes there will be a change in the entrepreneurial performance also. Thus, the healthy environment promotes the entrepreneurship in a larger scale by facilitating the business operations thereby contributing to the growth of the unit.

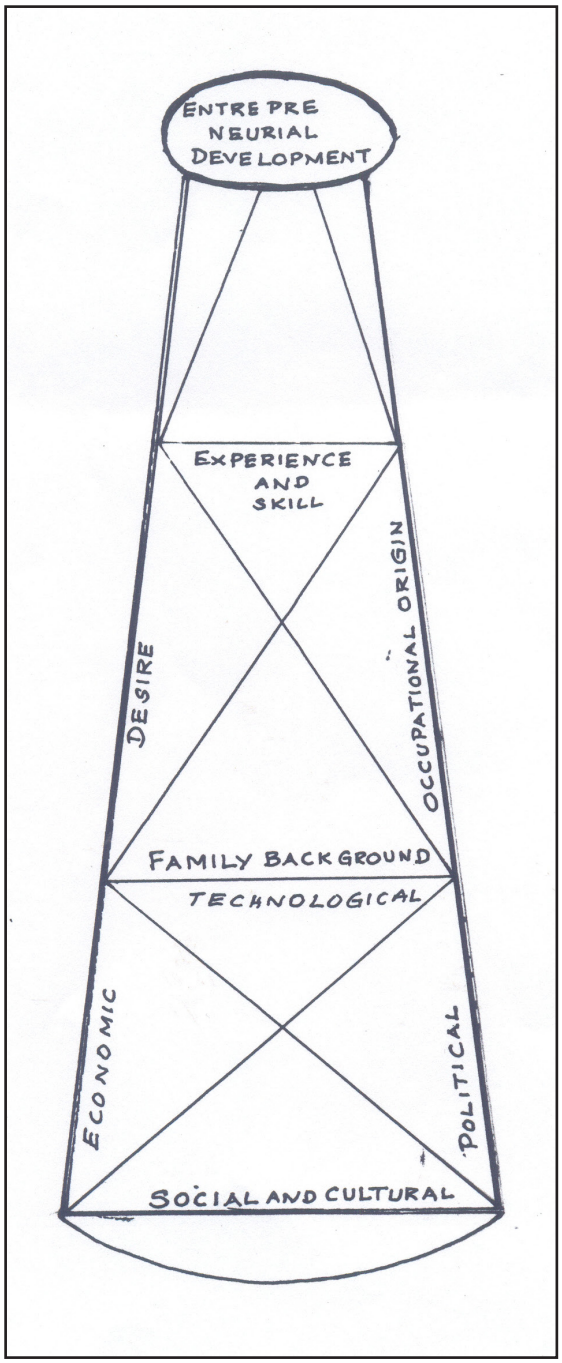
Classification of Environment

Environmental factors are mostly dynamic in nature except few factors which are of static nature. Mostly these factors can be conceptualized and quantified. Sometimes they could be mentioned only in qualitative terms.

On the basis of it's variability character with reference to point of time, environment may be past, present and future.

On the basis of decision making situation it may be classified into Market and Non-Market environment. If the business decisions of a business unit are influenced by the market factors such as, demand, supply, competition, price etc. the environment is said to be market environment. On the other hand, when the Government, Law and Social customs and Conventions dominate entrepreneurial decisions it is said to be Non-market environment.

Environment may be grouped in to two, viz, Economic and Non-Economic environment. Environment formed by the economic factors like fiscal policy, industrial policy, physical control of price-income, the economic system that operates, the stage of economic development refers to economic environment.



Then the non-economic environment refers to social, political, legal, educational and cultural factors pertaining to business operations.

Thus, the different facets of entrepreneurial environment on the basis of factors which form that situation is depicted in the following telescopic view of the Facets of Entrepreneurial Environment.

Environmental Factors

It is true that the entrepreneurs must have come from diverse economic, social and geographical backgrounds which interlace influence entrepreneurial spirits. This will enhance the entrepreneurial performance. The various factors which influences the entrepreneurship may be categorized into two, viz, Internal and External environment factors.

Internal Factors

The internal environmental factors are mainly the environment in which entrepreneurs are born and brought up and work. Internal factors are those which will stimulate the entrepreneurs from within to take up entrepreneurial venture. Some of them are:

1. Strong desire of entrepreneurs to do something independently in life.
2. Technical know-how or manufacturing experiences acquired by them.
3. Business experience in the same or related line.
4. Family background including size, type and economic status of family.
5. Occupational origins of the entrepreneurs. .

Factors are the main springs of action in entrepreneurs. In order to satisfy their strong desire to do something independently in life, highly motivated persons take a plunge in to industrial activity' regardless of any other considerations. But, many a time it is the: compulsion rather than the ambition that leads the man to success. The reasons that might have compelled the entrepreneurs in putting them on the road to industry are: The internal

Various other internal environmental factors that facilitate the emergence of entrepreneurship are:

- Success stories of entrepreneurs
- Previous experience in manufacturing
- Previous employment in industry

- Property inherited
- Property acquired
- Encouragement of family members
- Encouragement of friends and relatives
- Acquire or inherited technical and professional skill

External Environment

The success of entrepreneurship in a region at any point of time depends on the very many external environmental factors. These factors influence the entrepreneurial operations and ultimately determine the effectiveness of entrepreneurial performance also. These environmental factors can be grouped into:

Economic Environment

The different economic environmental factors which influence/ inhibit the entrepreneurship are: Structure of the economy, Industrial Policy, Agricultural" Policy, Growth pattern of National income, G.D.P., Savings and capital formation in the country. Besides that, Balance of trade and balance of payments, trade and tariff policy etc.

Legal Environment

Entrepreneur should know what the prevailing legal environment is by knowing the latest position in legal enactments relating to various aspects of entrepreneurial venture. Such as formation of the unit, collaboration, foreign exchange, industrial dispute, labour management, social security benefits, consumer protection etc.

Political Environment

The working political system in a country influences the entrepreneurial growth by designing and implementing various policy matters pertaining to promotion of entrepreneurship. Hence entrepreneurs and industrialists should have representatives on various government bodies at all levels of policy formulation and planning.

Socio-Cultural Environment

In the modem days a suitable entrepreneurial culture must be created by developing healthy work environment and modem attitudes towards work giving social recognition etc. These factors will give psychological stimulus which in turn promotes innovation, inspiration, ethics and values which are very essential for a successful entrepreneurs.

The external environmental factors are:

- Financial assistance from institutional sources.
- Accommodation in industrial estates.
- Provision of consultancy to services on technical
- Market and financial aspects.
- Provision of subsides of different kinds.
- Arranging the institutional support for marketing the products/ services.
- Attitude of the Government to help new units.
- Encouraging the co-ordination between larger and smaller firms.
- Providing necessary infrastructural facilities continuously.

External environment determine the entrepreneurship in many occasions. Hence presence of conducive business environmental climate is imperative for entrepreneurship growth. External environment facilitates various functional areas of business enterprise thereby promote entrepreneurship.

The various factors that impede the growth entrepreneurship arose mainly due to external environment. Some of them are:

- Changes in governmental policy
- Political instability or hostile government attitude
- Improper co-ordination among different government agencies. Undue delay and corruption in giving concurrences for various purposes
- Poor-infrastructural facilities such as supply of power, materials, finance etc.

- Rise in cost of inputs.
- Unfavourable market fluctuations etc.

Summary

Understanding the business environment and its components are very much essential for an entrepreneur. Environmental aspects are not of static in nature and hence watching the changes in the environment is immensely essential especially for the budding entrepreneurs. Thus, developing a healthy environment is a pre-requisite for growth of entrepreneurship.

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Lesson 1.3 - Enterpreneurial Culture

Learning Objectives

Having gone through this lesson one could understand the following.

- the need for developing entrepreneurial culture
- the various aspects of entrepreneurial culture
- the process of nurturing culture
- the counseling and follow up process
- Entrepreneurial education prevailing in India.
- Problems of entrepreneurship development in India.
- How to become successful entrepreneur?

Introduction

Entrepreneurial culture implies a set of values, norms and traits that are conducive to the growth of entrepreneurship. It is the corporate culture that focuses on the emergence of new opportunities, the means of capitalizing of them, and the creation of the structure appropriate for pursuing them. Entrepreneurial culture should be differentiated from administrative culture. Administrative culture is the corporate culture which focuses on existing opportunities, organizational structures and control procedures. An ideal administrator would ask such questions as "what resources do I control? What structure determines our organisation's relationship to its market? How can I minimize the impact of others on my ability to perform? What opportunity is appropriate?" On the contrary an ideal entrepreneur would ask very different questions such as 'Where is the opportunity? How do I capitalize on It? What resources do I need? How do I gain control over them? What structure is best?".

According to Stevenson and Gumpert companies must often contain both entrepreneurial and administrative cultures because they consist of both entrepreneurial and established units. There two dimension

of conflicting cultures. In the first dimension entrepreneurial manager will be driven by 'perception of opportunity'. They experience pressures such as diminishing opportunities, changes in consumer economics, political rules, social values and the technology they can not understand. On the other hand the administrative managers are driven by controlled resources. The pressures upon them include social contacts with colleagues and subordinates, performance measures, planning systems and cycles.

"Every generation needs a new revolution", was Thomas Jefferson's conclusion toward the end of his long life. His contemporary, Goethe, the great German poet, though an archconservative, voiced the same sentiment. Institutions, systems, policies eventually outlive themselves, as do products, processes and services, " Revolutions", as we have learned since Jefferson's days, are not the remedy. They cannot be predicted, directed, or controlled. They bring to power the wrong people. Worst of all their results - predictably - are the exl1ct opposite of their promises. The most lasting legacy of the French Revolution was the tightening of the very fetters of pre - Revolutionary France: the subjection of the whole country to an uncontrolled and uncontrollable bureaucracy, and the centralization in Parts of all political, intellectual, artistic, and economic life. The main consequences of the Russian Revolution were new serfdom for the tillers of the land, an omnipotent secret police, and a rigid corrupt, stifling bureaucracy -the very features of the czarist regime against which Russian liberals and revolutionaries had protested most loudly and with most justification. And the same must be said of Mao's macabre "Great Cultural Revolution".

Indeed, we now know that "revolution" is a delusion, the pervasive delusion of the nineteenth country, but today perhaps the most discredited of its myths. We now know that "revolution" is not achievement and the new dawn. It results from senile decay, from the bankruptcy of ideas and institutions, from failure of self-renewal.

Innovation and entrepreneurship are thus needed in society as much as in the economy, in public-service institutions as much as in businesses. It is precisely because innovation and entrepreneurship are not "root and branch" but "one step at a tune, a product here, a policy there, a public service provider; because they are not planned but focused on this opportunity and that need; because they are tentative and will disappear

if they do not produce the expected and needed results; because, in other words, they are pragmatic rather than dogmatic and modest rather than grandiose that they promise to keep any society, economy, industry, public service, or business flexible and self-renewing. They achieve what Jefferson hoped to achieve through revolution in every generation, and they do so without bloodshed, civil war, or concentration camps, without economic catastrophe, but with purpose, with direction and under control.

What we need is an entrepreneurial society in which innovation and entrepreneurship are normal, steady, and continuous. Just as management has become the specific organ of all contemporary institutions. and the integrating organ of our society of organizations, so innovation and entrepreneurship have to become an integral life-sustaining activity in our organizations, our economy, our society.

The New Tasks

The prerequisite for an entrepreneurial culture is a massive reorientation in policies and attitudes, and above all, in priorities. We need to encourage habits of flexibility, of continuous learning, and of acceptance of change as normal and as opportunity - for institutions as well as for individuals.

Tax policy is one area - important both for its impact on behaviour and as a symbol of society's values and priorities. What is needed in an entrepreneurial society is a tax system that encourages moving capital from yesterday into tomorrow rather than one that, like our present one, prevents and penalizes it.

Just as important as tax and fiscal policies that encourage entrepreneurship - or at least do not penalize it - is protection of the new venture against the growing burden of governmental regulations, restrictions, reports, and paperwork.

The Individual in Entrepreneurial Society

In an entrepreneurial society individuals face a tremendous challenge, a challenge they need to exploit as an opportunity, the need for continuous learning and relearning.

One implication of this is that individuals will increasingly have to take responsibility for their own continuous learning and relearning, for their own self - development and for their own careers. They can no longer assume that what they have learned as children and youngster. will be the " foundation" for the rest of their lives. It will be the "launching pad" -the place to take off from rather than the place to build on and to rest on.

An entrepreneurial society challenges habits and assumptions of schooling and learning. Educations will have to accept that ~ schooling is not for the young only and that the greatest challenge but also the greatest opportunity - for the school is the continuing relearning of already highly schooled adults.

Counseling Entrepreneurs and Follow -up

Introduction

Counseling is a' process of initiating and reinforcing a helping relationship to enable planned growth of the client at his own. Sometimes help and counseling are used inter changeably. Though they are entirely different concepts.

Management Counseling

Management counseling for entrepreneurial development may be understood as a 'counseling process for the institutions to promote the entrepreneurs in the given locality'. It encompasses broad counseling activities, by the institutions focused on the counseling approach for the development of entrepreneurs.

Objectives of management counseling depend on the nature and level of client. Since the client is entrepreneur the objective may be examined as follows:

(i) To understand the entrepreneurs', nature of background, personality, knowledge and skills etc.

(ii) To understand the entrepreneurial environment in which he operates.

(iii) To diagnose the problems of the entrepreneurs in the pre-investment and post investment stage.

(iv) To diagnose the clients' potentialities to initiate and handle the enterprise successfully.

(v) To enable the client explore this commitment towards his own goal and action plan for enterprise building.

Nature of Counseling

Counseling can be both of directive and non directive in nature. The non-directive counseling is largely client oriented where counselor listens and records what he listens and uses the information he gets to help dispel anxieties. He does not discipline client in order to control him. Instead the approach is non-paternalistic and counselee centered. As a matter of act counseling for entrepreneurs has largely to be of non directive nature. This avoids over dependence of entrepreneurs on agencies.

In essence, the non directive approach in counseling is designed to provide opportunity for the counselee to work through his problems to his own satisfaction without being given advice or guidance.

Now the question arises as to what kind of counseling is required for the entrepreneurs.

(i) The entrepreneur develops an understanding about himself.

(ii) The entrepreneur develops an understanding about the environment

(iii) The entrepreneur sets directions for his growth in the context of the above.

(iv) The entrepreneur develops of a plan of action, and implements it at his "Own.

(v) The entrepreneur learns to review it periodically along with his counselor.

(vi) The entrepreneur sees his won strength and weakness and attributes. Failure or success to himself and reduces dependency on the institutions.

One of the pre-requisites of a good entrepreneur counseling is a good preparation for it. Preparation on the part of the counselor and the

counselee involves investment in terms of time and thinking. If either of them is not prepared to invest in preparation for helping each other and learning from feedback, the counseling is likely to be futile. The counselor should prepare himself well for making counseling effective. However, the agencies (especially the voluntary agencies which are engaged in entrepreneurship programme need to have a continuous counseling mechanism.

Entrepreneurial Education

Entrepreneurial education for younger generation towards setting up small business concerns, their self development and the development of industrial economy assumes prime focus.

Entrepreneur and Entrepreneurship

'Entrepreneur' – a French word means "to undertake". This word in the early 16th century referred to men leading military expeditions. Entrepreneur as an English word has now come into usage denoting men who venture into any new field for economic gains. Entrepreneur is one who germinates a concept, takes initiative, seizes opportunity, bears risk, promotes organisation and manages it to achieve set goals. Entrepreneurs are those who are optimistic, resourceful, and persistent with a work orientation, goal setters and achievers.

Entrepreneurship is the mental urge to take risk in face of uncertainties and intuition and capacity of forecasting things which prove true. It involves a break with the past, a wider perception of economic activities and a creative and innovative response to environment.

It is a well known fact that entrepreneurship is one of the prime factors of production. The development of the productivity of this factor of production is significant in improving productivity. Thus education for the development of this quality is an important requirement.

For a young entrepreneur to start with in his new venture, small business would augur a healthy beginning.

Small Business

A small business can be defined as one that is independently owned and operated, is indominant in its field and meets a variety of size standards. This is mostly a localized business so as to satisfy the felt needs of the community.

Small business offers an opportunity to the youth to excel in their field. "Small is beautiful" goes a saying. The objective of small business is to utilize the available resources for balanced regional and local development. This requires interest and risk taking abilities. The raw materials are plenty and investment is negligible in a small business concern. The only hurdle is the lack of proper management.

Small industry is the nation's leading employer and forms the backbone of the economy. There is, therefore, an urgent need to highlight the advantages of small industries and a need to develop the concept of entrepreneurship through education.

The small size of a business provides some unique competitive advantages over large size business. Small firms are often the ones to offer innovations, new concepts and new products in the market place. Innovative behaviour is also found in the marketing strategies of these firms. The provision of product or service at cheaper cost due to less overhead costs is another advantage. Due to small size of some of the economies economic and organizational factors dictate that an industry consists essentially of small firms.

Defining MSME in India

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

a. ***Manufacturing Enterprises***- The enterprises engaged in manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951). The manufacturing enterprise is *defined in terms of investment in Plant & Machinery***.**

b. Service Enterprises- The enterprises engaged in providing or rendering of services and are *defined in terms of investment in equipment*.

	Definition of MSMEs in India	
	The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, vide S.O. 1642(E) dtd.29-09-2006 are	
	Manufacturing enterprises (Investment in plant and machinery)	**Services enterprises** (Only investment in equipment)
Micro	Up to Rs 25 lakhs	Up to Rs 10 lakhs
Small	From Rs 25 lakhs to Rs 5 Crores	From Rs 10 lakhs to Rs 2 Crores
Medium	From Rs 5 Crores to Rs 10 Crores	From Rs 2 Crores to Rs 5 Crores

Your case is likely to be a micro or small tourism service enterprise. Though, you could also develop a proposal for manufacturing goods and offering them directly to visitors (like curios, handicrafts, bottled water, etc.) or supplying goods to tourism businesses such as paper napkins, packaging material, furniture, etc. What ever be the case, you must be able to figure out which class of operations are you in.

Indian Scenario for Entrepreneurs

An entrepreneur is fundamentally a conceiver, designer and innovator. It is he who thinks of a scheme or project. He thinks of the various factors of production and designs their proportions for the final shape and output of the organization. While doing so he is conscious of the risks that he is undertaking. He has to keep himself abreast of all the developments that are taking place in the world. An ill informed person can never be a successful entrepreneur. Knowledge and success are, in a sense, hand maids. A risk taking person is bound to be creative, for creativity and innovativeness are twins. It is a competitive world and even slight variations can impart newness to a product. Even packing a material is a matter of enterprise.

Modern thinkers have defined entrepreneurship differently, according to their own perceptions. Hoselitz defines 'entrepreneur' as person who brings labour and material at the certain price and sells the resultant product at a contracted price. Obviously, labour gets a prominent place in his definition and so does marketing.

Entrepreneurial Functions

The main functions that an entrepreneur has to perform can be deduced from the various definitions of the of the word 'entrepreneur' that have been given. These can be summed up as below:

1. He takes the risks attendant on uncertain situations.
2. He foresees opportunities and seizes them.
3. He collects and organizes the various factors of production.
4. He prepares the inventory for the unit and procures the same, with an eye on quality and economy.
5. He co-ordinates the various factors of production smoothly.
6. He ensures maintenance of cordial relations with labour.
7. He is conscious of competition around and adjusts accordingly.
8. He deals with external organizations and agencies.
9. He manages human resources within the unit.
10. He manages the suppliers.
11. He manages the customers.
12. He manages finance
13. He manages production, keeping an eye and demand and quality.
14. He acquires, and oversees, the assemblage of the unit.
15. He ensures the quality of the product.
16. He innovates production techniques.
17. He oversees that the good will of the units is enhanced.

Problems Encountered by Entrepreneurs

There are a host of risks and problems that an entrepreneur has to encounter. It is impossible to think of any business enterprise which is not based with problems. An entrepreneur, while embarking on an economic

venture, knows that his path is going to be strewn with the thorns of problems. He is bound to face a host of them. There are problems galore in all fields of his activity. There will be his personal problems. There will be managerial problems. There will be problems from the external world. Has to learn to enjoy those problems is the guarantee of success.

The changes might one too quick to withstand. A story might be worth narrating here. A person was rushing towards his home. Someone intervened and wanted to know the reason of the hurry. The person said, 'I have purchased a saree for my wife and I want to hand it over to her before the fashion for this particular brand of saree changes'. Change and newness are in the air and pose their own variety of problems.

Future Prospects for the Entrepreneurs

There is a shift in India from an agricultural to industrial economy even as India is moving from the state of a developing economy to attain the status of a developed economy. This state of transformation of the national economy has its own potentialities and challenges for the entrepreneurs. It is for them to seze the opportunity by both the horns. They have a crucial role to play in the present scenario. The government has initiated the process of liberalization of economy since 1991. In this changed economic environment all support and incentives are available to the entrepreneurs who care and are perceptive and dynamic.

The government has set up institutions for guiding and supporting the entrepreneurs. The infrastructure is being developed. Every state in the country is eager to have large scale industrialization. In fact, the chief ministers of states are vying with one another to attract industrial entrepreneurs. Their eeffort is global. There is a growing awareness of the need for industrialization and this itself should motivate the potential entrepreneurs into action. They have to convert their potential energy into a kinetic one now. Action and movement are the needs of the hour, and the hour won't wait for those who are indifferent to it.

The government is providing all support to the entrepreneurs. The country's future is tied up with its industrialization, for which modern techniques and technologies are needed. All that is outdated must be jettisoned overboard and the Indian entrepreneurs must work with their

native genius to scale dizzy industrial heights. That is what the country needs and expects from its entrepreneurs.

Entrepreneurs – True Heroes

Entrepreneur is a person who initiates an economic activity and manages the same successfully. The myth that entrepreneurs are born is no more valid because it has been proved that entrepreneurship can be developed through scientific methods and training. But most important of allis self-motivation on their part. Three buzzwords for entrepreneurship are: self-motivation, courage and self-marketing.

For developing skills for successful entrepreneurship, here are some tried steps:

Preparedness: Prepare yourself fully before meeting anyone or before embarking upon a project or a proposal, collect all relevant information, put it in a proper sequence, rehearse and then present yourself.

Communication Skills

Practice makes a man (or a woman) perfect. Attend some professional course on personality development with focus on communication skills-both oral and written. Introspect and take steps to learn from each event. Continuous improvement should be your watchword.

Positive Attitude

Success in one's own enterprise, as in all areas of life, is 90 per cent attitude and 10 per cent aptitude. Positive attitude is bound to lead to success.

Be Involved

Both in online communities and off-line in your local community, know what's going on and what's current in your field. Be a part of what's going on and network with others in your field.

Expect no's

Realise no's are no personal. In business, as per perhaps nowhere else, the law of average works. Every 'no' gets you closer to a 'yes'.

Be a Goal Setter

Set your goal, write it down, set a target for achieving the goal, and mobilize all your energies and resources to accomplish the same each day, each week and each month. Little is ever accomplished without definite goals.

Be Organised

Each evening, list all the things you want to get done the following day. That gives you an organised approach to each day. As each task is finished, mark it off your list. It is amazing how much one gets done when one works with a 'things' to-do' list in an organised way.

Be Enthusiastic

Enthusiasm is the 'fuel' that entrepreneurs run on. Enthusiasm is the 'fuel' that entrepreneurs run on. Enthusiam generates its own energy. Energy and good health are synonymous with busy, happy people who are 'achievers'—more so for successful entrepreneurs.

Get into entrepreneurship and see yourself growing up and up in life.

Perspectives

Entrepreneurship promotion has to be more and more trade specific, or product / process-specific, based on its relevance in different regions. From the generalist approach, entrepreneurship development institutions have to switch over to a more specialized role for training individual entrepreneurs or for developing / equipping teams of entrepreneurs to take up ventures in groups in specialized product lines. The movement depends on the extent of technology obsorption and adaptation in small enterprises.

Non-governmental organizations (NGOs) should be involved in a massive way to supplement the efforts of the government in a sustained manner to improve the living conditions of the vast rural masses through income generating enterprises. NGOs associated with these programmes have distinct advantages of being close to people in the planning and implementation of programmes. Support from the apex development financing institutions such as SIDBI and NABARD, needs to be mobilized for this purpose. Developing professional talent in NGOs through sustained training and follow up efforts is necessary.

The tempo not only needs to be sustained and improved upon; it also needs to be reoriented to meet the challenges of the competitive environment in the small enterprise sector. Emerging opportunities need to be focused upon. Entrepreneurs have to keep in mind the growing complexities, and challenges of the future.

The motivation that makes a small enterprise to be competitive in its use of human and material resources needs to be brought out through the positive strategy of collective efforts of people, productivity and profits. The capability to rise above competition drives entrepreneurs to search for new ways of doing things, new markets to operate, and new products to offer. In the current day context, no entrepreneur can escape competition. In this context, successful entrepreneurial behaviour implies constant and continuous quest to be different, to perform better, and to exert more to ensure excellence. A successful entrepreneur must learn and strive to set his/her own standard of excellence. Entrepreneurs may be able to assess their strengths and weaknesses; become capable of maximising strengths and making their weaknesses redundant. Thus, the major thrust of motivation needs to undergo change from stimulatory to sustaining and growth orientation.

Entrepreneurship development efforts need to be focused on economically lower and less privileged population, who constitute a much wider population group. The spread of education, particularly vocational education, skill development, technological upgradation and managerial training and development of greater awareness of economic and social opportunities, apart from the creation of better infrastructural facilities in the environment in which they placed, will enable economically weaker sections utilize entrepreneurial opportunities, relevant to their environment, much faster.

Emphasis in future periods cannot be limited to manufacturing type of enterprises alone. Service sector, agro and other rural micro enterprises will demand considerable attention because of the vast potential for dispersed pattern of development. Promotion of entrepreneurship in rural areas, tribal areas and backward regions has to be stressed to a great extent.

Challenges Facing the MSME sector, Tests in Growth and Survival of Enterprises, and Future Directions

In the context of liberalization, privatization, and globalization, small scale entrepreneurs are facing challenges. They have also experienced wider opportunities created by liberalization. Entrepreneurs have expressed appreciation for the opening up of the economy by creating a competitive, market friendly environment and facilitating the process of integration with the global trends. The emerging forces of globalization, deregulation and technology transfer as well as increasing and shifting demands of consumers are changing the contours of the MSME sector.

At the Entrepreneurship Development Institute of India (EDII), Ahemedabad, in a publication titled The Seven Business Crises, crisis stages of an enterprise in its life cycle are detailed as follows:

- The Starting Crises
- The Cash Crisis
- The Delegation Crisis
- The Leadership Crisis
- The Finance Crisis
- The Prosperity Crisis
- The Management-succession Crisis
- Another stage is planning for survival and growth

All the eight stages have been portrayed with live examples in the EDII publication and also released as video cassettes. These will be of great relevance for existing and prospective entrepreneurs.

The themes suggested for deliberation in seminars such as the following, speak of the dynamics of entrepreneurship strategies:

- New venture creation / development
- Technology and entrepreneurship
- Business growth strategies
- Entrepreneurship and economic development
- Entrepreneurship education, training and research

Suggestions

The following suggestions may be considered for intensifying entrepreneurship development efforts in future:

1. It is important to impart a combination of skill orientation and entrepreneurial competency for group of persons with diverse backgrounds.
2. Promotion of industries, services and businesses in rural development programmes including specific programmes for women by adopting group approach.
3. Other self employment programmes including programmes for persons with science and technology background.
4. Involvement of NGOs, and professional and vocational training institutions.
5. Promoting interaction between academic / training institutions, and industry in the small scale, tiny and micro enterprise sectors.
6. Promoting group entrepreneurship or partnership compared to concentrating only on proprietary type of enterprises.
7. Promoting marketing entrepreneurship and development of marketing organizations at the state level.
8. Marketing support is to be extended to trained entrepreneurs in a sustained manner.
9. Entrepreneurship should be an integral part of school education at plus two level, and in various professional, vocational and other advanced courses at different levels.
10. A structured orientation programme on Entrepreneurship Development of two to three days duration can be the first step to

orient final year engineering / technology students, and final year post graduate students in science and technology. This capsule could be followed up by a regular EDP of six weeks duration to those short listed students who show potential to be transformed as entrepreneurs.

11. Adequate and timely credit being a key factor in catelysing entrepreneurship, it is highly essential to involve bank managers MSME specialists from banks at the pre-training, training and post-training phases of entrepreneurship development programmes. Interface with bankers and promotional officers will enthuse prospective as well as existing entrepreneurs. Similarly, use of live cases from banks of MSME units financed or is under consideration, and experiences of first generation entrepreneurs will make the training programme quite lively and instructive.

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Lesson 1.4 - Innovation and Entrepreneurship

Learning Objectives

This lesson clearly explains to you the following:

- need for innovation and entrepreneurship
- principles of innovation process
- types of innovations
- factors inducing innovative skills.

Introduction

Entrepreneurial innovation deals with the introduction of new concept, a new way of doing things, or a new approach. Innovation can also be in terms of new technology, new techniques of production, new sources and types of raw materials, novel machinery, new labour saving devices, new packaging techniques and packaging materials, new way of advertising, product development, new application of existing product and even developing a new market.

Innovation refers to the process of bringing new, problem solving ideas into use. The ideas may be related to reorganizing, cutting costs, establishing new budgeting system, improving communication etc., Comprehensively speaking, innovation involves generation, acceptance and implementation of new ideas, processes, products or services. It embodies the capacity to change or adapt. Innovations are new ways to achieve tasks. Innovations respond to the needs and constraints and conditions. Inventors and researchers put effort in solving burning problems; these efforts lead to innovations. For example, labour shortages led to mechanized equipment, Drought conditions led to improved irrigation, Energy crises led to higher efficiency cars, Farmers' cooperatives were established during periods of excessive low farm prices, Environmental regulations trigger cleaner technologies, A tax on carbon will lead to improved stoves and power plants.

Innovation is the essential for entrepreneurial motivation. Innovation gives money. Innovation must be knowledge based. Scientific knowledge is the base for innovation. However, innovation is also due to the convergence of different kinds of innovation.

Sometimes, there is a need to combine the innovative works of similar other scientists. Though their works were different in intent and content, by combing their works together, there is a chance for developing new products.

An innovative entrepreneur becomes a market leader. His market share and profitability increase till the competitors catch that innovation and imitate it by bringing out "me-too" product in the market. The innovative entrepreneur hits the market with another innovation to |retain his market leadership and high profit margin. The history of entrepreneurial development itself is a reflection of the innovativeness of entrepreneurs.

Peter Drucker saying that innovation is an important tool of an entrepreneur, as he perceives new opportunity; convert this opportunity into attractive projects and become market leader. Innovation is the conversion of new knowledge into new products and services. Innovation is about creating value and increasing productivity, and therefore, making your business grow.

Entrepreneurial strategy is neither hunch nor gamble. It is not service but judgment. "What we need is an entrepreneurial society in which innovation and entrepreneurship are normal, steady, and continuous. Just as management has become the specific organ of all contemporary institutions, and the integrating agent of our society of organisation, so innovation and entrepreneurship have to become an integral life-sustaining activity in our organisations, our economy, our society.

Meaning of Innovations

According to Drucker, the principles of innovation require a few' dos' and a few' don'ts'. He also enumerates what he calls "conditions".

The 'Dos',

i. Purposeful, systematic innovation begins with an analysis of opportunities. It begins with thinking through what he has called the sources of innovative principles.

ii. Innovation is both conceptional and perceptual. The second imperative of innovation is to go out to look, to ask, and to' listen.

iii. An innovation to be effective has to be simple and it has to be focused. It should do only one thing, otherwise it confuses. If it is not simple, it won't work.

iv. Effective innovations start small. They are not grandiose. They try to do one specific thing.

v. A successful innovation aims at leadership.

The 'Don'ts'.

a. The first is simply not to try to be clever. Innovations have to be handled by ordinary human beings. In other words, anything too clever, whether in design or in execution, is almost bound to fail.

b. Do not diversity. innovations 'that stray from a core are likely to become diffuse. They remain ideas and do not become innovations.

c. Finally, do not try to innovate for the future. Innovate for the present.

According to Drucker, three conditions have to be fulfilled, All three are obvious, but often go disregarded:

a. Innovation is work. It requires knowledge. It often requires greatingnuity. When all is said, and done, innovation. becomes hard, focused on purposeful work, making very great demands on diligence, on persistence, and on commitment.

b. To succeed, innovation must build on their strengths.

c. Finally, innovation always has to be close to the market, focused on the market, indeed market-driven.

Product Innovation

Product / service innovation is the result of bringing to life a new way to solve customer's problem – through a new product of service development – that benefits both the customer and sponsoring company.

Examples

(i) Mechanical – tractors, cars;

(ii) Chemical and biological – pesticides seed variety;

(iii) Managerial-IPM, extra pay for work, overtime;

(iv) Institutional-water users' association, patents, banks, stock market, conservation districts, monks.

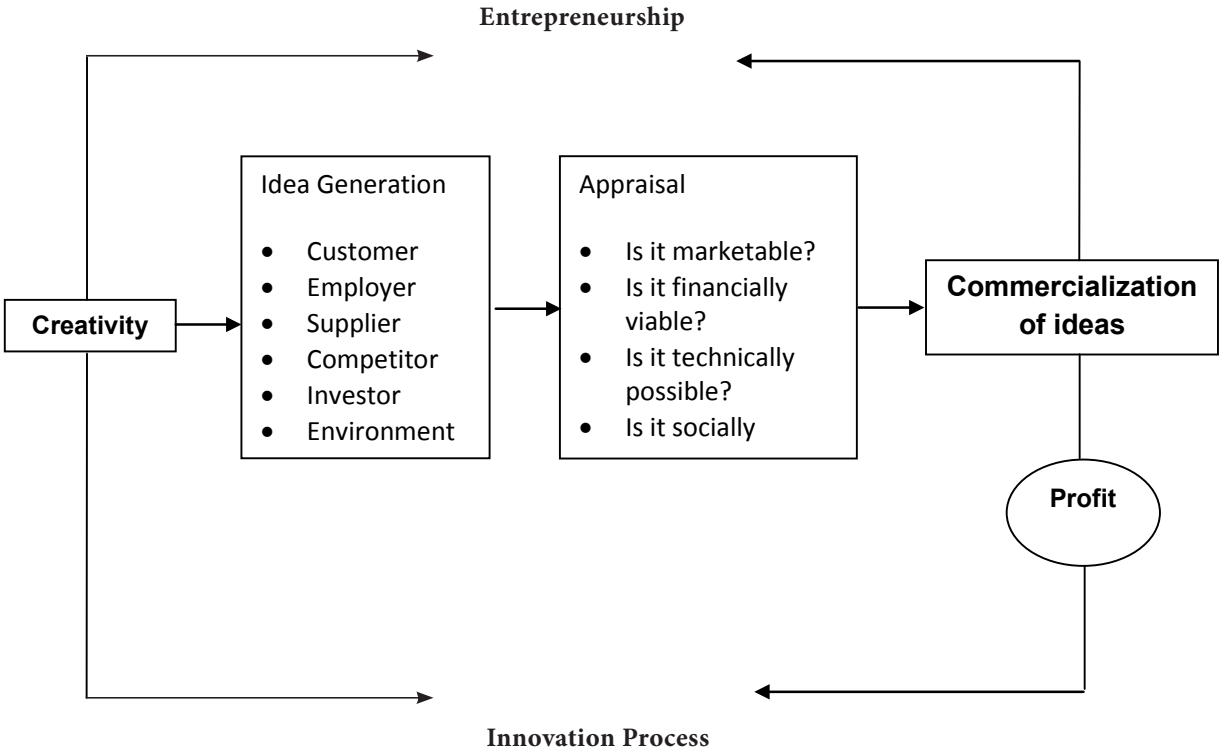
Process Innovation

Process innovation increases bottom line profitability, reduces costs, improves efficiency and raises productivity, and increases employees' job satisfaction. It also delivers enhanced value of the product or service to customers. For manufacturing companies, process innovation includes such things as integrating new production methods and technologies that lead to improved efficiency, quality, or time-to-market and services that are sold with those products. For service companies, process innovations enable them to introduce "front office" customer service improvement and add on services.

Business Innovation

Business innovation involves a wide spectrum of original concepts, including development of new business models, organizational innovation, business application of technology and communications, new management techniques, environmental efficiency, new forms of stakeholder participation, transport and finance.

These consist of new business models, new management models, new approaches to value chain management, new approaches to information, idea and knowledge management, new forms of strategic partnerships, new forms fo selling and customer service.



Entrepreneurial Innovation Process

Organizational Innovation

More efficient innovation metric, associated with organizational innovation, reflects the recognition that new ways of organizing work in areas such as work force management through employee empowerment, new people partnership, or positive action to involve all employees in order to make organization of work a collective resource for innovation, knowledge management, value chain management, customer partnership, distribution, finance, manufacturing can improve competitiveness. Organizational innovation also includes business model innovation.

Technology Innovation

Technological innovation covers innovation derived from research and development of technology, that is independent of product and service initiative.

Marketing Innovation

Innovative distribution and customer service methods are an inseparable part. It helps a company to develop new value added services, enter new markets, and create new market segments / categories, new distribution methods, and new forms of customer service and customer partnership. Marketing Communication can also be more effective with Innovative Strategies.

Strategy Innovation

It consists of reinvented strategy of the enterprise, innovative corporate growth strategies, improved competitive strategies. It is about challenging existing methods of industry of creating value for customer in order to meet newly emerging customer needs, add additional value, and create new markets and new customer groups for the sponsoring company.

Implementation of all these innovations can improves the utilization of human capital.

Summary

Thus this lesson explains the need for entrepreneurial culture, the behaviour of the individual in the entrepreneurial society and how to develop culture? Besides it tells upon the significance of counseling and follow up process for developing an ideal entrepreneurial culture. Innovation is one of the significant attributes of entrepreneurship. But successful entrepreneurship involves other key elements like risk taking ability, values, ethics, organizational skill, operational excellence. To convert the creative ideas into profitable business, entrepreneurs use such quality as motivation, dynamism, adaptability, knowledge, tactfulness, dreaming, instinct, will-power, aptitude, pride, flexibility, self-confidence, and common sense. Besides this, entrepreneurship flourishes in innovative work culture, competitive infrastructure, and entrepreneurial managers under the leadership of innovative environment.

Self Assessment Questions

1. Who is an entrepreneur? Distinguish between entrepreneur and enterprise.
2. Discuss the main functions of an entrepreneur
3. What are the characteristic of an entrepreneur?
4. What are the qualities of an entrepreneur?
5. Distinguish between entrepreneur and entrepreneurship.
6. Explain the main sources of innovation.
7. Describe the principles of innovation.
8. What are the major steps to become an entrepreneur?
9. Explain the different types of entrepreneurs
10. Explain the importance of environmental factors in influencing entrepreneurship.
11. Discuss the factors affecting entrepreneurial development.
12. Discuss the various factors influencing the entrepreneurs internally.
13. Define entrepreneurial culture and differentiate from administrative culture.
14. Explain the significance of entrepreneurial society.
15. What is entrepreneurial counselling? Explain its significance.
16. Discuss the role of entrepreneurial clinics.
17. Give a brief note about the need for entrepreneurial education
18. List out the problems of entrepreneurship development in India.
19. How to become successful entrepreneur?
20. Discuss the future prospects for entrepreneurship in India.
21. Define the term 'innovation'. Explain its need.
22. Discuss the principles of innovation process
23. Explain the different types of innovation

CASE STUDY

Anushka and Devyani were two students studying a beautician course in a city college. They hailed from Madurai a metropolitan city and Uttangadi an upcoming village near by Madurai respectively. They became good friends during the course of their education. Anushka hailed from an upper middle class family with her parents in influential Government jobs. Devyani hailed from a lower middle class familywith her parents depending on farming their livelihood. They both shared a long ambition to become successful in their life working independently.

They both were intelligent and were creative compared to others and both were intent on starting a beauty clinic in their own respective places. Anushka was against the idea of Devyani starting her clinic in a village. She felt that people in a village will have a lesser awareness towards beauty and moreover their ability to pay was in her village a question mark. She had a strong view that villagers always depended on nature for their beauty needs and they would have reluctance for the use of these artificial beauty techniques. But Devyani was strong in her view that she will succeed as a beautician in her own village rather than any other place.

Identify what factors might influence the choice of location.

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UNIT – II

Unit Structure

Lesson 2.1 - Entrepreneurial Motivation
Lesson 2.2 - Entrepreneurship Development Process
Lesson 2.3 - Institutions for Entrepreneurial Development
Lesson 2.4 - Role of SSI Sector

Lesson 2.1 - Entrepreneurial Motivation

Learning Objectives

This lesson aims to create understanding about the need for motivation in promoting entrepreneurship.

- Describe theories of entrepreneurial motivation.
- Internal environment motivation factors
- External environment motivation factors

Introduction

It is understood from the previous chapter that entrepreneurship development is due to the entrepreneurial role played by the entrepreneurs and. the Government. The role of entrepreneurs is a continuous phenomena. In the dynamic society, the entrepreneurs foresee the future and smell the undesirable consequences well in advance. Predicting the future with all accuracy is the first step for a successful entrepreneur. Entrepreneurs identify the business opportunities. Motivation 'is the propelling force for an entrepreneur to predict the future and identify innovative and hitherto unknown business opportunities,. The exhaustion of the existing limited resources motivate entrepreneurs to find alternative resources which are

found available and unused so far. The scarcity of manual labour compels the entrepreneurs to introduce computers and rabots.

The growing consumers awareness enable and motivate entrepreneurs to identify their expectations and assess the amount of consumers demand well in advance.and sometimes even before identifying the location of the industry. The new economic policy of the Government motivates entrepreneurs to seek trade and business relations at the global level and motivate them as how best to manufacture quality goods so as to compete in the global market. Similarly, the transfer' of and import of new technology motivate entrepreneurs as how best to adapt the latest technology that must suit to their respective countries.

Entrepreneurial Motivation

Enrepreneurial behaviour is the result of entrepreneurial motivation Motivation refers to the inner urge that ignites and sustain behaviour to satisfy need.Motivation has been derived from the word motive which implies the inner state of mind that activates provokes and direcs our behaviour towards the goal.

Theories of Motivation

Need is the starting point of motivation. A satisfied need does not motivate an individual. It is only the unsatisfied need which creates tension and stimulates drives within the individuals for the satisfaction of the need and reduction of tension.

Several studies have been undertaken to identify the factors that motivate people to start their own enterprises. P.N Sharma has identified nine motivating factors which are as under:

1. Educational background.
2. Occupational experience.
3. Desire to do work independently.
4. Desire to branch out to manufacturing.
5. Family background.
6. Assistance from government.

7. Assistance from financial institutions.
8. Availability of technology/ raw material.
9. Otherfactors demand of the particular product, utilisation of excess money earned from contractual estate business, started, manufacturing to facilitate trading/ distribution business since the product was in short supply, unstable policy of the foreign government for non residents and no chance for further promotion.

The above nine factors were grouped into two major categories-internal and external. First five motivating factors were termed as internal and the last four factors as external. The internal motivating factors like education, occupational experience, family background, the desire to do something independently together make the personality of the entrepreneur. These factors generate an inclinationn to adopt entrepreneurial activity. The presence of internal factor is a necessary condition for the entrepreneurial activity to takeplace. But entrepreneurial ideas cannot fructify or take real shape without a proper or conducive environment which provide support in terms of financial assistance, technology and raw material and infrastructural facilities. These facilities from external motivating factors and serve as a spark in igniting the entrepreneurial idea. These factors give a boost to the entrepreneurial activities.

It is clear from the above that majority of the new entrepreneurs were tempted to enter industry because of three main factors viz.

1. They had strong desire to do something independent in life.
2. They were having technical knowledge or manufacturing experience
3. Availability of governmental and non-governmental assistance.

Motivation and Environment

Motivation of entrepreneurs depends upon the environment with which the entrepreneurs live in the society. The entrepreneurial environment could be classified into two viz.,

1. External environment and
2. Internal Environment

1. External Environment

The external environment includes:

- the entrepreneurial role played by the Government
- trade regulations.
- industrial policy and the import and export restrictions
- living standard of the people.
- level of education and standard of education
- occupation of the people and their
- strong faith in religion.

Besides, the infrastructural facilities available in the country, political stability, availability of capital and technical know-how are some important factors come under the external environment. Some of the above said factors can be controlled. Again there are some uncontrollable elements viz., the existing availability of resources, geographical location of the country and the prevailing weather conditions. .

Entrepreneurs are motivated by the speed with which these knowledge based innovators join together and invent new things. For instance, the invention of computer was not due to the innovative efforts of one or two scientists. It required the innovating efforts of scientists who aimed for different products, and the convergence of not less than 5 kinds of knowledge viz.

1. a scientific invention.
2. the audian tube
3. mathematical discovery
4. the binary theorem
5. a new logic.
6. design concept of punch card and
7. the concept of programme and feed back.

Without the 'application of these knowledges, no computer could have been found out.

Technical entrepreneurs have motivation to combine the different branches of knowledge and thereby try to manufacture new products. It is also the duty of these entrepreneurs to identify the gap and inform the scientists to invent something new so as to fill the gap. Thus, motivation enable entrepreneurs to combine the scattered knowledge into a meaningful combination and thereby see' how best to convert these knowledge based information into a commercial product.

I. Production Opportunity

Identification of business and production opportunity becomes the prime motive of entrepreneurs to set up a new line of business enterprises. Production opportunities cold be identified through the introduction of:

i. New technology..
ii. Change of consumers tastes and fashions and
iii. Change of the income level of consumers.,

Opportunities could be identified through the application of the laboratory research findings. Industrially advanced.countries rely upon the R & D departments and apply their research findings in the manufacturing process and thereby introduce new products in the market.

Production opportunities could also be identified when we adapt of new technology. There are many alternatives for the production of a particular product. It is the entrepreneurs' duty to fwd out the best alternatives and manufacture goods at the earliest so as to enable them to meet out the unexploited market.

Entrepreneurs in Japan are pioneers in finding out the new production opportunities. Early identification motivates entrepreneurs to manufacture and distribute in the market and thereby earn huge profits and that too in the short run and before the competitors enter.

Japansee adopt, adapt and adept the technology which they import abroad and make use of it in such a way that there is ample scope for alternative uses.

Production opportunities could also 'be identified through the invention of new sources of raw materials or the application of existing materials for alternative uses.

New production opportunities motivate entrepreneurs to combine new factors of production and thereby explore the possibility of setting up of a new industrial unit.

II. Investment Opportunities

Like production opportunity, entrepreneurs are motivated by the investment opportunities. There are ample scope for young businessmen to mobilise capital from the capital market and financial institutions. Financial institutions are ready to provide any amount of financial assistance for viable projects and innovative projects. Far reaching changes are taken place in the stock exchange dealings. The stock exchange reforms create a congenial atmosphere for the enterprising entrepreneurs to raise adequate capital through thee public issues.

The commercial bank now-a-days offer not only financial assistance to young entrepreneurs but also render training and help young entrepreneurs to mobilise factors of production. All these conducive atmospheres motivate young entrepreneurs to set up their own industrial units especially the SSI units.

III. Entrepreneurial Development Programmes

There is a need to reformulate the existing entrepreneurial development programmes that suit to the entrepreneurs of different groups. Entrepreneurs need training at regular intervals so that they could clarify their doubts which many come at every subsequent stages of manufacturing process. Training enable and motivate entrepreneurs to find alternative course, of action to be taken in the event of dearth of funds, poor quality and labour deficiencies.

The objectives of training programmes must be clear and unambiguous. While selecting entrepreneurs for training, chance must be given to a group of entrepreneurs whose status, family and social background are uniform.

Only the enthused and self-motivated entrepreneurs shall be given chance for undergoing training. The entrepreneurial development programmes become failure due to the wrong choice of selection of entrepreneurs.

The entrepreneurial development programmes must be such that there must be scope for follow up activities. In other words, the entrepreneurial development and training institutions must give refresher courses and give an opportunity to update the knowledge of entrepreneurs.

IV. Risk Management

Entrepreneurial motivation is also due to entrepreneur's mental ability to bear the risks and his capacity to calculate the risks. Successful entrepreneurs are ready to bear 'calculated' risks only. In these days risks are being shared. For instance the raising of capital through equity issue enable entrepreneurs to shift their risks towards the investors. Risks are also shared through collaborative and joint venture agreements.

Entrepreneurs in these days would like to diversify their business mainly with the intention of overcoming the losses. Thus, the opportunity for the avoidance of risks motivates entrepreneurs to take up new business ventures.

V. Cultural Development

The prevalence of rigid cultural norms and mores act as an impedement for entrepreneurs to introduce innovative businesses. This problem is found more in less developed countries. On the other hand in the industrially advanced countries, the. Existing culture is such that allows people to develop and start any new business. Though the cultural rigidity is an obstacle, entrepreneurs can be motivated to develop new business through cultural liberalization.

VI. Aggrandise Profit

In a true sense, the entrepreneurs are motivated by profit. The expected profit of any new business ventures is always high. Since there is little competition at the initial stage of business entrepreneurs are

motivated to introduce new business and earn the maximum profit until other competitors enter into their lines of businesses. Entrepreneurs in Japan follow this practice. Though they import technology, they adapt and manufacture new lines of goods and earn high rate of profit. As soon as they face competition, they give away their existing business and try to establish a new one.

Thus, entrepreneurs are motivated to introduce new business mainly due to the chance for earning a high rate of profit.

VII. Economic Environment

The changing economic environment acts as a motivating factor for entrepreneurs to think of new business developments. The policy of liberalisation enable Government to invite NRI investors and allow them to establish infrastructure supporting industries like generation of power, communication equipments etc., The free exports and imports motivate entrepreneurs to find a new for their goods at the international market.

The development of private large scale industry would pave way for ancillarisation and there is a vast scope for the growth of SSI units. The globalisation of the business sector enables entrepreneurs to mobilise the latest talents and thereby develop new business.

2. Internal Environment

Apart from the above said external environmental factors, the entrepreneurs' motivation also depends upon the internal environment viz., the family background of the entrepreneurs that is weather they hail from the agricultural family or business family, the professional and academic achievements of the entrepreneurs, the level of education, training acquired, their previous experiences and their mental behaviours. Besides, the personality development, leadership qualities and ability to achieve character of the entrepreneurs also act as congeneial climate for entrepreneurs to enter into new business ventures.

Though there are many environmental factors, all entrepreneurs are not motivated by all the factors or a group of similar factors. No research study has so far been found and undertaken to prove the fact

that what environmental factors that exactly motivate entrepreneurs and in what proportion. Again there is no adequate literature found available as when the motivation works in the mind of entrepreneurs. However, one would say that behind every successful entrepreneur there is atleast one motivational factor that strongly influences him to become a successful entrepreneur.

The entrepreneurs must have some inborn skills which inturn motivate entrepreneurs to establish new business.

Thus, motivation is like a foundation with which the entrepreneurs build new business, and it is the intensity of motivation that determines the height of success of new business ventures. Let us see the various factors that motivate entrepreneurs to play their role and thereby see how far motivation helps to build entrepreneurship development.

Mc Celland has identified the following motivational factors that influence entrepreneurs to become successful in their business ventures:

1. Demonstration effect.
2. Business background
3. Technical knowledge
4. Stable market
5. Skilled labour
6. Self determination
7. Ancillarisation
8. Risk bearing capacity and
9. Success stories.

1. Demonstration

Demonstration of successful business enterprises motivate entrepreneurs to enter into similar lines of businesses. In under developed countries demonstration is normally being done by the Government. In India, the Government at present invite foreign investors who would like to invest their capital and new technology and develop new business enterprises. This in turn encourages and motivates the emerging entrepreneurs to set up similar lines of business. For instance, the aquaculture business was not very populate in the last decade. Now this

business is getting popular and entrepreneurs of different types come forward to establish this business in and around the coastal areas. It is all due to the demonstration effect. Thus, the establishment of one successful business venture attracts and motivates entrepreneurs to develop and run similar I business. Entrepreneurs also learn the demonstration effects through the foreign entrepreneurs.

2. Business Background

Entrepreneurs who hail from business families are able to establish new business more easily than those who hail from agricultural families. Though, it is true,' the research findings revealed different findings. Entrepreneurs who hailed from the agricultural families are found more successful in their business ventures than those who hailed from business families.

Lack of employment opportunities is the main factor which motivates these entrepreneurs to enter into business ventures. However entrepreneurs with business background are able to Identify business diversions and able to enter into profitable business ventures since they have managerial and organising capacity.

Nowadays, entrepreneurs start multi-lines of business so that they could be able to avoid losses. ie., the profit of one business line could be used to compensate the loss of another business and hence the chance for incurring heavy losses is found little.

3. Technical Knowledge

People with technical knowledge are more interested in entering into new business ventures than people with less technical knowledge. With the help of technical knowledge, the entrepreneurs are motivated to set tip their own business or industrial units and they themselves engage in the day to day operations. They have no fear in attending the repair and maintenance works and also able: to direct subordinates and delegate their works easily. Thus, possessing the technical knowledge is the prime motivating factor for entrepreneurs to come out with a successful business venture. In these days we found that ITI students with the MBA degree would like to establish their own industrial units rather searching jobs elsewhere.

Similarly, many. engineers who served in big industrial establishments have come out from the existing job and try to set up their own industrial units. Thus, holding technical knowledge and experience is one of the motivating factors for entrepreneurs to enter into the business world.

4. Stable Market

Stable market is one of the prerequisites for a growing economy. Stable market ensures long term planning. Stable market motivates entrepreneurs to manufacture goods on a large scale with the intention of capturing market. It attracts entrepreneurs to devote their time and energy towards 'Research and Development'. Unless the market is stable, the entrepreneurs cannot manufacture new products and plan to spend huge amount of money for research and advertisement. Entrepreneurs expect stable market not only at the national level but also at the international level. Stable market motivates entrepreneurs abroad to invest then- money and technical know-how in other countries which inturn gives room for global market and as a result the consumers all over the world are able to enjoy the benefits at a time.

5. Skilled Labour

Entrepreneurs however they are trained and experienced cannot become successful in their business ventures, unless they rely upon the skilled labour force. Specialisation becomes the order of the day. Consultancy services are rapidly growing. The availability of skilled labour force in the local places motivate entrepreneurs to make use of their services at relatively cheaper prices. The success of any entrepreneurs depends upon the skilled personnel who are employed in his business ventures. Entrepreneurs seek their help and guidance and thus, the decision taken by them is always right and it gives scope for the development of "group entrepreneurs".

6. Self Determination

Entrepreneurs are motivated by means of their 'will power' and 'self determination'. They fix the target for themselves and try to attain the target. They have power to resist and overcome all the obstacles and external or internal forces. They have strong determination in bringing out

their business ventures successfully. They have no second thought soon after entering into a new line of business. Self determination depends upon the behaviour of the entrepreneurs. This self determination motivates the power of achievement of entrepreneurs.

7. Ancillarisation

Establishment of big business ventures is always unthinkable. Big business houses need huge amount of capital and labour force. Besides, entrepreneurs have to observe cumbersome formalities.

Small scale industrial units are mostly established in and around the existing large scale industries. The successful running of SSI depends upon the extent with which the large scale industrial units shall come forward to seek the help of SSI in manufacturing spare parts and ancillary products. As a result the large scale industrial units can concentrate on their main products.

The entrepreneurs of SSI are thus motivated to set up their industrial establishments when there is a scope for ancillarisation. Entrepreneurs ensure stable market for their products. They can be able to identify the expectations of the large scale industrialists and determine the quality too. As a result, entrepreneurs could concentrate more on production and quality.

Besides, they are assured of stable and predetermined income. Ancillarisation gives much benefit to large scale industrial units since they need not concentrate on trivial matters.

8. Risk Bearing Capacity

The risk bearing capacity motivates entrepreneurs to establish businesses of different sizes. 'Risk' and 'Profit' are closely associated with each other. Higher the scope for profit higher would be the risk that an entrepreneur should bear and vice versa. It is because of the risk bearing capacity, entrepreneurs are found little in under-developed countries.

In these countries; people hesitate to bear the risks. They seek employment opportunities instead of setting up of business units. Age is

another factor that determines the risk bearing capacity o(entrepreneurs. Entrepreneurs in their 30s could come forward to bear heavy risks when compared with the entrepreneurs who are in the age group' of 40s or 50s.

Thus, risk bearing capacity is one of the motivational factors that determines entrepreneurs whether to enter into new line of business or other similar lines of businesses.

9. Success Stories

Publication of success stories motivate enthused" and young entrepreneurs to set up their own business ventures. Success stories reveal and highlight the circumstances under which successful entrepreneurs started their business ventures. It also highlights the precautions to be taken and the practical difficulties involves in the proposed businesses. The success stories of manufactures like NIRMA and Dhabur Hair Oil Company motivate many entrepreneurs to enter into the manufacturing of detergents and hair oil. The success stories enable entrepreneurs to step into the shoes of the successful businessmen and develop similar business. Success stories of entrepreneurs must be published and screened through T.V. very often and in different and in different languages so that there is a chance for new entrants to venture into new business with all vigour.

Summary

Thus, the entrepreneurship development is mainly due to the entrepreneurial motivation. Motivation of entrepreneurs is influenced by the external as well as internal environmental factors. Though there is no research study which reveal the extent with which the entrepreneurs are motivated by these two environments it is found that the entrepreneurial motivation is due to the influence of both the external and internal environmental factors. The psychological behaviours of the entrepreneurs are also equal playing its role while motivating the entrepreneurs.

The main requisites for promoting entrepreneurship are motivation. It can be made by duly understanding the internal environment and external environment. Entrepreneurs can be made through motivational process by explaining the need for inculcating basic qualities of entrepreneurs and to read and understand the success stories of entrepreneurs.

Thus, motivation is the propelling force behind every entrepreneur to

(i) introduce new products,

(ii) develop new business establishments,

(iii) introduce new form of business organisation,

(iv) make use of alternative sources of raw materials and

(v) see how best to fulfil the expectations of the consumers and the society.

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Lesson 2.2 - Entrepreneurship Development

Learning Objectives

Having gone through this lesson, one may be able to understand the following

- Importance and need for entrepreneurship development
- Stages in the entrepreneurship development process
- Strategies for entrepreneurship development

Introduction

Entrepreneurship development depends upon the prevailing economic system. The existing socio-political set up and the prevailing economic policies of the Government determine the economic system. The entrepreneurship development is mainly due to the existence of such economic system. It is the entrepreneurship development that acts as a filip to new, structure of the economy and economic reforms too. The economic system differs from country to country and hence the process of entrepreneurship development differs.

The mixed economic system has been found in existence in all developing countries including India.. Under this system both the Government and individual entrepreneurs play an equal role in the entrepreneurship development. The government undertakes those activities which are vital for further economic advancement.

In a mixed economy though there are ample opportunities for the entrepreneurship development with the help of the Government support, entrepreneurship development is hindered by the deeprooted evils like religious conflicts, political instability and unethical practices like smuggling, corruption and adulteration.

Importance of Entrepreneurship Development

The need for entrepreneurship development was not felt by the classical economists like Adam Smith and David Ricardo. They thought that capital formation led to economic development.

But according to Schumpeter, the rate of economic growth depends upon the number of innovations introduced by the entrepreneurs and the extent with which the financial institutions come forward to finance the new venture businesses which are associated with high risks. He considered the fact that, the prevailing entrepreneurship development determines the economic growth and innovation itself is of no use unless it is made available to the public through new product and the activities involved in such processes are called as 'entrepreneurship'.

According to him innovative entrepreneurs are essential for industrialisation, though imitative entrepreneurs are also equally playing their role in industrialisation. Japan is the best example for industrialisation with the imitative entrepreneurs.

The entrepreneurship development is needed on the following grounds

1. Optimum Utilisation of Resources

Natural resources are getting depleted over a period of time. Some of the resources are almost scarce and it is the responsibility of the entrepreneurs to identify the alternative sources of supply of resources and also to make use of the existing resources without doing much harm to the environment.

2. Improved Standard of Living

The living conditions of the people could be improved through planned entrepreneurship development programme. Entrepreneurs use the latest technology and manufacture those products which are essential to all people at the lowest cost and thereby try to improve the living standar4 of the people.

3. Ensure Industrialisation

A country is said to be advanced if there is an existence of adequate industrial units of big and small in size. The existing entrepreneurship development programmes create a congenial atmosphere for the aspiring and young entrepreneurs to come forward to set up industrial units especially in the industrially backward regions.

4. Innovation is the gateway

Innovation takes place in all fields activities. The application of computers enable businessmen and Government to expedite their business activities. Marked improvement has been taken place in the filed of communication due to the application of innovative technology.

5. Allow Global Market Entry

Entrepreneurship' development enables the manufactures to manufacture products of international quality and thereby try to enter into the global market and compete with the products of other nations.

Pre-requisites for Entrepreneurship Development

Development does not mean the setting up of large scale industrial units. The settings up of a small scale industrial unit also play an equivalent role in the economic development.

1. Incubator Facilities

'Incubators' have been used in U.S.A. to develop entrepreneurs for small scale industries. It enables them to I translate their laboratory research into commercial products and thereby help consumers to enjoy the benefits of the recently found technology. Venture capital financing firms in these days come forward to provide incubator facilities to the entrepreneurs.

These firms select viable projects and extend not only their financial. Assistance' but also their managerial and marketing experiences so as to enable them to stand on their own legs.

2. Linkage of Research and Development

Entrepreneurship development depends upon a perfect linkage between the entrepreneurs and Research and Development institutions. The very objective of setting up of Science Park is to enable the entrepreneurs' to acquaint themselves with the latest research developments. It helps them to establish suitable small: scale industries and thereby improve the economic standard.

3. Cultural Behaviours

The existing cultural value is such that entrepreneurs find it: difficult to change the living style of the people. There is a wide gap between the educated and the uneducated, rural masses and urban masses, indigeneous method of production and industrial; method of production and the like. Because of these variation the: entrepreneurship development is said to be sluggish.

4. Cumbersome Formalities

Entrepreneurial growth is affected by:

1. Strict Government's control on prices.
2. Foreign competition.
3. Poor infrastructure.
4. Inadequate training facilities including education. and
5. Cumbersome formalities to be fulfilled at the time of setting up of industrial units.

Besides there is no adequate investment for training, ambiguity in the entrepreneurship development programmes and entrepreneurial information system.

5.Other Obstacles

1. Inadequate marketing information.
2. Frequent change of Government and its economic policies.
3. Inadequate monetary incentives that commensurate with the risks.
4. Absence of data bank

Strategy for Entrepreneurship Development

1. The existing large scale industrial undertakings shall meet at a common place and streamline their R & D efforts in such a way that would enable them to minimise the time and cost overrun incurred on R & D activities.
2. There is a need for the setting up of entrepreneurial development institutions either at the District level or at he taluk level so that the 'would be' entrepreneurs may get more opportunities for acquiring skill for establishing new business units.
3. Managerial ability of the entrepreneurs shall be improved through conducting management training courses with the help of Institute of Management Studies.
4. Entrepreneurship development could be improved through the setting up of small scale industrial units especially in the backward regions. The existing unemployed graduates shall be given training as how to establish small scale industries and make use of the local men and materials.
5. The Government should ensure that there is a stable foreign exchange rate and controlled inflation which are supposed as favourable climate for entrepreneurship development.
6. There is a need for the setting up Entrepreneurship information and Service Department so that the entrepreneurs could be able to fulfil all the formalities under one roof. This would enable them to safeguard their precious time and money.
7. Finance should not be a limiting factor for the emerging entrepreneurs. Venture capital firms shall be started at various places so that the entrepreneurs could get not only finance but also the rich experiences of the venture capital firms.

The chart given below depicts the favourable climate necessary for the entrepreneurship development.

Entrepreneurship Development Process

It starts from identifying the potential and right candidates, linkage suitable project with each one, training and developing the managerial and entrepreneurial capabilities, counselling and motivating the entrepreneur

and providing the required follow-up support to help the entrepreneurs in establishing venture. The task of developing entrepreneurs consists of the following activities:

- Identifying and carefully selecting those who could be trained as entrepreneurs.
- Developing their entrepreneurial capabilities
- Ensuring that each potential entrepreneur has a viable industrial project
- Equipping the entrepreneurs with basic managerial understanding.
- Helping them to secure necessary financial, infrastructural and other assistance so that an industrial venture materialises within the shortest possible time.

Need for identification

India is a vast country with abundant natural resources. Poverty and unemployment prevail in India because of underutilisation of natural and human resources. The government is aiming at full employment and faster economic growth through planned five year plans. It also wants to bring a balanced socio-economic development. The Govt. formulates new schemes and. projects on continuous basis such as Prime Ministers Rozkar Yojana etc. Which involves investments of thousands of Crores of Rupees and then go for the competent takers of the scheme?

The need for a broad-based entrepreneurial class in India arises from the need to speed up. the process of activating the factors of production, leading to a higher rate of economic growth, dispersal of economic activities, development of backward and tribal areas, creation of employment opportunities, Improvement in the standard of living of the weaker sections of the society etc.

Besides that, many.employees in industry and commerce, workers, supervisors, merchants and salesmen and number of young engineers and graduates had latent entrepreneurial skills and a desire or capacity to be self-employed. Many lacked self-confidence to come forward for their own ventures. So, developing a programme to identify these people and give them counselling and continuous training will help to generate successful entrepreneurs in a large scale.

Identification & Selection

The inputs of identification and selection must be appropriately and comprehensively blended as per the requirement and needs of the locality and the objectives set by the collaborating agencies for entrepreneurial development programme. An integrated approach of entrepreneurial identification and selection involves. several functions at different stages. They are:

Stage 1

a) Contacts with local agencies
b) Defining the target area, resource and Clientile etc.
c) Development of application bank and media planning.

Stage 2

a) Written Test
b) Group Test
c) Interview

Stage 3: Training design and its stratification.

This multi-stage identification process helps to discriminate the potential person from the universe against the non-potential candidates at different stages. The total activities to be adopted under this integrated approach are given below:

Stage 1

1. Definition of target area-who will be the potential entrepreneur? what are their background education, level of income etc?
2. Study of predominant skills - what are technical background, traditional skills of people, and inherited professional occupation etc?
3. Studying Existing Resources - what kind or raw materials, institutional support and infrastructure support are available in that region? Can they really facilitate the subsequent training and follow up entrepreneurs in the particular state or region?

4. Study of potential demand - what are the consumer demands and what people really need to purchase, export or import, what is the marketability of the product within or outside the locality?

Stage 2

1. Structuring application blank and releasing advertisement for the programme.
2. Developing appropriate text and media mix, leaflets, posters etc. for growing awareness and interest in the target group.

Exploring further linkage to foster the identification process at the local level

Stage 3

1. Strengthen the linkage agencies to enable them effectively guage pre-programme operation.
2. Involve the local collaborating institution in the pre programme operation.
    1. If possible, obtain their commitment on critical issues of support, viz., on finance, raw material, land etc.
    2. Finalise the selection tools and techniques.

Selection of Entrepreneurs

After identifying the basic requisites of entrepreneurs in terms of their qualities and skills, it is essential to adopt a selection process for choosing at persons who are having real entrepreneurial aptitude. This task of selection work helps to develop them in the proper perspective and develop them as Ii successful entrepreneurs,

The selection process usually consists of there stages, viz,,

a. Preliminary screening of applications
b. Assessment of candidates' entrepreneurial abilities
c. Ascertainment of the need for training.

In this selection process, persons possessing a minimum level of entrepreneurial traits and having experience in or familiarity with commercial or industrial activity could be getting the opportunity of being selected. Technically qualified candidates having no work, experience may be selected if their entrepreneurial capacity is adequate and if they are ready to undertake smaller, simpler projects consistent with their overall background and know-now.

Then, the next step in the selection process is selecting the candidates for training who without comprehensive training inputs could not set up independent units. This helps to assess the need for training, developing training method period etc. This type of selection is considered mainly to avoid wastage of resources and to optimally utilise the limited training and development facilities.

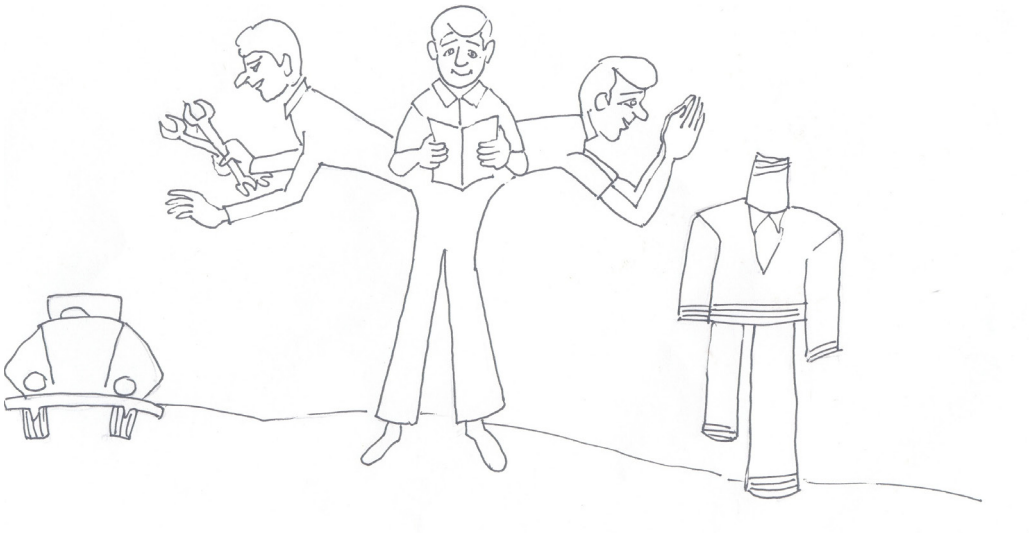
Interview Process

Interviewing by itself is a delicate process; therefore greater care must be taken in its conduct. Interviewing procedure necessarily aim at confirming the personality, data indicated by the candidate during the pre-selection and selection stage. Interview can also include certain simulation games and activities test to understand the candidates better. This requires the formation of expert group with different sepcialisation viz., entrepreneurial studies and behavioural science, from industrial departments, development authority, from commercial and development banks etc. This gives a base for integration of various functional input in discrimination and development of entrepreneurs from the initial stage itself

Thus in the selection process, persons possessing a minimum level of entrepreneurial traits (normally decided by a cut-off point in the scores) and having experience in or familiarity with commercial or industrial activity stand a better chance of being selected. After the selection process is over, those entrepreneurs possessing concrete project proposals and needing only procedural information guidance must be encouraged to directly seek financial assistance and set-up industries. Those candidate who needed strengthening of entrepreneurial and managerial capabilities may be admitted into training programme

Entrepreneurial Training

Imparting training is the key component in any entrepreneurial development programme. Entrepreneurs are not just born but ate developed and trained to assume entrepreneurial venture boldly. Both our union and state governments have also realised the significance of training in effectuating the self-employment schemes. The selected candidates with basic entrepreneurial traits and keen in enter into the venture are selected to impart training. training gives proper orientation and exposure to the trainees and motivate the potential entrepreneurs to take-up and manage the commercial' venture successfully. The main objective of (entrepreneurial training is to develop motivation and competence necessary for successful launching, management and growth of the enterprise. The training process can have a inbuilt design of disciminating or screening out the potential entrepreneurs. Hence, it is verymuch essential for the budding entrepreneurs to make use of the training opportunities. This highlighted in the exhibit



To impart effective training, package has to be developed consisting of the following components:

- Achievement Motivation
- Product selection and project report
- Business management guidance
- Practical training and Work experience a Validation Training inputs etc.

These training inputs will develop the selected trainees into "Well-rounded, competent entrepreneurs". The brief description of various inputs of training programme is given below.

1. Achievement Motivation

In the first phase, as intensive achievement motivation training, through a short period residential programme is given to develop the entrepreneurial traits such as need to achieve, risk taking, initiative, etc. The motivation inputs serve to (i) Increase the need for achievement; (ii) help participants realistically to define their goals and work towards their achievement; and (ii) heighten their self awareness.

2. Product Selection and project Report

In the initial stage of the programme itself, guidance sessions are held on selecting an appropriate industrial opportunity for each trainee consistent with his experience, competence and overall capabilities. Perceiving a profitable opportunity for commercial exploitation is an essential quality of an entrepreneur. By providing inputs on various feasible industrial opportunities through a team of experts (successful industrialists, leading traders and merchants in manufactured commodities and technical advisers from State industrial agencies), the programme covers this precondition into an information input. Inadequate knowledge of an opportunity or a clear project proposal need not be a handicap in aspiring to be an owner entrepreneur. The training culminates in the completion of a project report by each trainees. It is found to expose the particulars to the thought process and field experience necessary for the rational choice of business, product-line market mix, etc., and determining their feasibility in light of environmental constraints opportunities. It also constitutes an instrument for raising finance for the project and thereby links up completion of training with the support of financial institutions for implementation.

3. Market Survey

The participants should be given opportunity to actually conduct market surveys for their chosen, projects. This would help to expose the trainees to the marketing avenues available and could be followed by sessions on methods of dealing in the markets.

4. Business Management Guidance

The small-scale entrepreneur has to be a manager since he cannot employ specialists to look after the multiple business decision of sales, finance, purchase, personnel etc.

It is essential for better performance, the new (trainee) entrepreneur emerging from the ranks employees and fresh graduates usually possess familiarity and experience in only one-area, either of production, sales or supervision.

The syllabus has been developed in consultation with operating entrepreneurs, trade and industry experts and past trainees. It aims at enabling the participants to look at an enterprise in totality and introduces them to the elements of planning, budgeting and control as aids to good management.

Knowledge of problem-solving through group discussions, syndicate presentation, case studies and business games may be given due emphasis on the syllabus. Business inputs are given through specialists in different subjects drawn from professionals, business and industry executives, experts of State Industrial Corporations and small-scale entrepreneurs.

5. Practical Training and Work Experience

Field trips to selected industrial units are arranged to expose trainees to the operational conditions. For those lacking in industrial experience, a six hours day in-plant training is arranged in relevant operating factories as long as required. A well-equipped Technical Training Workshop has to be set up by the Corporations which develops industrial skills among fresh trainees and offers product development opportunities.

6. Validation of Training Inputs

Tests of comparative performance of trained entrepreneurs under the programme who set up industries versus those who were rejected in the selection tests for the training but who nevertheless set up industrial units, validated the inputs package.

Follow-Up

The success of any entrepreneurial development programme lies on the follow-up measures and continuous monitoring of the training institutions and agencies. Follow-up may "be taken on all the three stages, viz., Pre-training, training and post-training stages of entrepreneurship development programme.

Pre-training follow-up measures consists of evaluation of training infra-structure training, syllabus and entire training schedule etc. Similarly, the post-training follow up measures have to be taken mainly for the purpose of helping the entrepreneurs to achieve technical, managerial, marketing and financial assistance from various supporting agencies without much difficulties.

The follow-up process normally consists of the following activities.

- Preparation of history cards for each trainee with the details of bio-data, performance on the tests and interviews, traits before and after the training a
- Keeping in touch with each entrepreneur who have undergone EDP.
- Regular system of reporting should be developed to get feedback on the performance of entrepreneurs.
- Project leaders have to contact the entrepreneurs by personal visits periodically.
- Convening follow-up meeting and maintaining follow-up records-will ensure success of the entrepreneurial development programmes.
- Continuous assessment of the impact of all developmental activities undertaken by the agencies based on certain criteria's. They may be activity level of respondents, new business or activity started, Fixed Capital investment made, Total investments made, number of people employed, number of jobs created, mean increase in profits, diversification, quicker repayment of loan, improvement in the quality of products etc.

Summary

Entrepreneurs are not always a born geneous. Through systematic and rigorous training, entrepreneurs can be made. Young entrepreneurs have little knowledge on management, production process and marketing.

Lack of proper training prevents people to become entrepreneurs. Otherwise, they could come forward to make use of the emerging opportunities that are emanating from new technology, new economic policy and from the changing society.

Untrained entrepreneurs cannot take right decisions. They do not know the next course of action to be taken soon after the establishment of new business units. With the help of training, they could manufacture right goods at the right time with quality and minimum cost.

Training gives confidence to the entrepreneurs and their ability to bear the risks is also getting increased.

There is a need to reformulate the existing entrepreneurial development programmes that suit to the entrepreneurs of different groups. Entrepreneurs need training at regular intervals so that they could clarify their doubts which many come at every subsequent stages of manufacturing process. Training enable and motivate entrepreneurs to find alternative course, of action to be taken in the event of dearth of funds, poor quality and labour deficiencies.

The objectives of training programmes must be clear and unambiguous. While selecting entrepreneurs for training, chance must be given to a group of entrepreneurs whose status, family and social background are uniform.

Only the enthused and self-motivated entrepreneurs shall be given chance for undergoing training. The entrepreneurial development programmes become failure due to the wrong choice of selection of entrepreneurs.

The entrepreneurial development programmes must be such that there must be scope for follow up activities. In other words, the entrepreneurial development and training institutions must give refresher courses and give an opportunity to update the knowledge of entrepreneurs.

Thus this lesson vividly explains the need and importance of entrepreneurship, the different stages in the process of entrepreneurship development and various strategies of identifying and promoting entrepreneurship.

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Lesson 2.3 - Institutions for Entrepreneurial Development

Learning Objectives

This lesson aims to create understanding about the institutional support available for entrepreneurs.

- The available institutional set up at national level and state level.
- Role of institution in promoting entrepreneurship
- Market support for entrepreneurs

Introduction

Entrepreneurs need some support from outside agencies supporting project preparation and evaluation. Similarly support is needed for technological upgradation of the entrepreneurial venture.

Entrepreneurs need money for initial investment in their business. After doing business for few years, entrepreneurs will try to expand their business or diversify their business. Expansion or diversification needs substantial investment. Investment support facilities must be made available to them for expansion and diversification of their business. Hence, financial support system is needed to the entrepreneurs.

Entrepreneurs in the normal situation do not aware of the management techniques. They need managerial support to run their business efficiently and successfully. Entrepreneurship Development Institute, Management Institute, Financial Institutions and Academic Institutions provide managerial support to the small scale industries.

Marketing is the nucleus of any business enterprise. Large scale enterprises have enough money to spend for advertisement and sales promotional activities for marketing their products and to increase their market share in the days to come. They have brand value also. Whereas,

SSIs are not in a position to compete with them and hence they require market support system.

Thus, Financial, Marketing, Managerial and technological support are needed to SSIs not only for industrial development but also overall economic development of our country.

In order to accelerate the small industries development, Government at the Central and State levels have set up a number of development agencies/ institutions. All India Financial Institutions - IDBI, IFCI, ICICI - have promoted / sponsored a number of technical Consultancy Organisations (TCOs) to assist small entrepreneurs in different ways. Recently, the small Industries Development Bank of India (SIDBI) has been established to help small scale units. In addition to these institutions there are agencies like National Science and Technology Entrepreneurship Board, Khadi and Village Industries Commission, Commercial Banks, Exim Bank and Co-operative Banks who undertake Promotional activities aiming at facilitating industrial development. A brief description about various institutions which are rendering support for promoting entrepreneurship is given below.

Indian Investment Centre (IIC)

The IIC is an autonomous, non-profit service organisation financed and supported by the Government of India. It is concerned with the important task of promoting mutually rewarding joint ventures between Indian and foreign entrepreneurs.

The center acts as a clearing house for information on economic conditions, laws, procedures, government regulations and specific opportunities for investment in India. It offers objective advice on investment conditions in the light of Industrial priorities and policies of the government of India, and on locating suitable Indian patterns for prospective foreign investors. It functions as a link between Indian and foreign parties and assists them in coming together for fruitful collaborations and formulating the terms, of joint venture participation. Its services are tailored to the need of Industrial corporations and furnished on entirely confidential basis.

Entrepreneurial Guidance Bureau (EGB)

The lIC has set up EGB in order to guide entrepreneurs in identifying investment opportunities, assisting them in selecting locations for the projects, preparing project profiles, assisting them to get financial assistance.

EGB has been supplying information pertaining to the products that offer scope for manufacture, statistical details relating to demand, capacity productions, sources of raw-materials, types of equipments required, investment involved, sources of finance, etc. Information on, procedures pertaining to obtaining letters of intent, import of capital equipment, export of finished products is also furnished. EGB also renders assistance from banks/ financial institutions or for submitting proposals for the letter of intent, etc., EGB also establishes direct contracts with engineering graduates,. technically qualified personnel and small entrepreneurs to promote entrepreneurship development.

National Productivity Council (NPC)

Recently National Productivity council has started a package of Consultancy Service to Small Industries. This service is in three stages.

(a) Train young and prospective entrepreneurs;

(b) Undertake market surveys in the state/areas for identifying investment opportunities and consumption patterns for the prospective entrepreneurs; develop data bank for providing information in respect of investment opportunities and financial resources required, facilities available for obtaining loans; selection! modernisation of processes and equipment; product development; availability of raw materials and market opportunities, sales promotion and marketing; and to undertake techno-economic feasibility studies either on behalf of prospective or existing entrepreneurs or on behalf of financial institutions.

(c) Post - investment service consultancy and follow-up in the following form.

To assist the entrepreneurs in repayment of loans in the minimum possible time by helping them in improving their enterprise, level productivity through periodical visits; assist the small scale industries in training of workers in specific trades and supervisory and managerial personnel in techno-managerial subjects; assist the existing enterprises in improving their enterprise level productivity through training and consultancy services; and assisting them in market studies and sales promotion.

Technical Consultancy Organisations (TCOs)

TCOS have been set up with the initiative of the all India financial institutions in order to provide consultancy services to entrepreneurs setting up small and medium scale units. Also entrepreneurs located in industrially backward areas may find it difficult to avail the services of consultancy organisations situated in cities and run on commercial considerations. Recognising that, to cater to the needs of entrepreneurs in the decentralised sector, a well spread out network of consultancy organisations offering a package of services at reasonable costs was called for, the All India Development Banks initiated action to establish TCOs in different parts of the country. The focus of this effort has been on industrial promotion on a dispersed yet viable basis.

Activities of TCOs: The activities of TCOs cover all the stages of project cycle starting from the stage of identification of project ideas by entrepreneurs to project implementation and operation. Thus, their activities include:

(i) Industrial Potential Surveys

(ii) Preparation of profiles and feasibility studies.

(iii) Evaluation of projects referred to them by financial institutions.

(iv) Conduct of entrepreneurship development programmes

(v) Provision of technical and administrative assistance to small/ medium enterprises where necessary.

(vi) Assisting such entrepreneurs in their modernization technical upgradation and rehabilitation programmes, etc.

Industrial and Technical Consultancy Organisation of Tamilnadu (ITCOT)

ITCOT was established in 1979 with a paidup capital of ₹ 10 lakhs. It was sponsored by ICICI. ICICOT plays a lead role in entrepreneurship development. Its services to entrepreneurs include the preparation of project reports. providing consultancy services, conducting pre-investment studies, marketing potential surveys and EOPS to the new and established entrepreneurs.

Commercial Banks and Entrepreneurial Development

In recent times commercial banks have not confined themselves to mere extension of finance to small entrepreneurs but have shown genuine concern for their progress and development. They have now entered the challenging field of promoting new small scale entrepreneurs through entrepreneurship development programmes. In their new role as promoters of small scale sector they have accepted yet another challenging task. They are now holding EOPs in collaboration with specialised institutions such as DIC, SISI, TCOs, etc., with a view to identifying entrepreneurs, especially in backward areas, and training and monitoring them to start new ventures.

State Bank of India (SBI)

In order to accelerate the development of - identifying backward areas by monitoring potential entrepreneurs to take up risky new ventures, the SBI launched EOPs in 1978. As per the Bank's ventures, the EOPs consist of one month's intensive training in behavioural science, management aspects, field training. During the training period, the entire cost of boarding and lodging is borne by the Bank. The Bank's EOP consists of three phases:

(i) Initiation phase for creating awareness about entrepreneurial opportunities.

(ii) Development phase through training programmes in developing motivation and managerial skills.

(iii) Support phase counselling, encouragement and infra-structural support for establishing and running an enterprise.

Indian Bank Entrepreneurship Service Cell

The bank provides consultancy services to persons who graduate from colleges and institutions of engineering technology etc. and unemployed engineers, diploma holders and other graduates or business executives. The consultancy service right from identification of a project to its implementation and marketing is provided through the personnel of the bank and panels of expert specialists. For this purpose, the cell after preliminary discussion with a prospective entrepreneur arranges a meeting with the appropriate panel member.

The cell and the appropriate panel member then assist the ' entrepreneur. This service was inaugurated on 3rd October, 1973 and is available only at Madras and a few other selected centres.

Bank of India - Entrepreneurial Clinic - Cum- Guidance Service

With a view to fostering growth of entrepreneurship and economic development, the bank has set up the cell. The scheme offers:

(i) Assistance in selection of industry, preparation and evaluation of project report and market survey;
(ii) Practical training in the line, if necessary;
(iii) Assistance in obtaining government clearance, procurement of machinery and equipment and marketing of products;
(iv) Assistance and guidance in implementation of the project.

The novel feature of the scheme is that bank will provide from a panel of industrialists a 'foster father' to guide and assist the budding entrepreneurs.

STED (Science and Technology Entrepreneurship Development)

The Government of India, in the year 1985, set up a National Science and technology Entrepreneurship Development Board (NSTEDB) particularly to encourage entrepreneurship amongst the Science and Technology persons and that too specifically in the industrially backward areas of the country. Besides, discovering of new resources and manufacturing techniques, remedying growing unemployment and

achieving better industrialization in the country, too have been its other objectives. The NSTEDB therefore took up a special project entitled 'Science and Technology Entrepreneurship Development' (STED). For this, 12 districts which are industrially backward and have immense untapped and under tapped natural resources had been selected under this project from all over the country from most of the states. Jodhpur district in Rajasthan was selected as one of these centres. In this district, the project was started in the year 1985-86, under the control of Director, Science and Technology, Government, of Rajasthan, Jaipur.

Project Director, Department of Science and Technology, Jodhpur is looking after (STED Project) for Jodhpur district. This office is keeping constant touch with intending entrepreneurs till they get their own industrial unit and the product is marketed.

Objectives

Basically for Science & Technology persons.

1. Create entrepreneurship awareness-Identify potential S&T persons motivate them.
2. Identify resources (untapped, undertapped and innovative) – Demand studies and Market Surveys –Tie-up with research organizations-Prepare project reports profiles-Prepare feasibility reports.
3. Tie-up with financial and other institutions-Render assistance for Infra-structure-Promote entrepreneurship.
4. Establish Industrial units-Prepare modernization and expansion reports – Help upgrade existing units –Rehabilitate sick units.

Assistance Given

1. Selection and designing of manufacturing product with commercial feasibility.
2. Preparation of project profiles / reports.
3. Identifying of natural resources.
4. Applying for loans from DIC, RFC, RIICO, Banks etc.
5. Applying for allotment of land from RIICO.

6. Applying for allotment of mines on lease from Mining Department.
7. The formation of Co-operative ventures for setting up industries.
8. Providing consultancy in the areas of marketing, production, finance etc.,

With whom the Entrepreneurs

1. Prepare feasibility reports of identified opportunity.
2. Know technical know-how of new product.
3. Get training regarding entrepreneurship.
4. Get expert opinion in monthly motivation camps.
5. Get advice for upgradation and modernization of existing small scale industry.
6. Get help for sick units as well as advice for preventive measures against projects of cost, quality, sales etc.

Science Parks

A science park is a low density site in attractive landscaped surroundings for science based industrial and research establishments located near a major scientific institution which provides supporting technical and business services. If offers opportunities for a close interaction between the University and industry and is a means of bringing suitable industry and research close to the sources of scientific progress. "PART" has many different meanings. Similar to a Car Park, the term 'Science Park' implies that, one can 'part' his industry for a short duration but will not make its use as a permanent garage. One must go out of the part and establish himself in the real industrial world and allow others to come into the park, so that more can get the benefits.

Entrepreneurship and Market Support

The success of entrepreneurship depends solely on the well established institutional set up. In order to meet the requirements of the rapidly expanding entrepreneurship in the SSI sector in the country, the Government gave adequate institutional support. The role of various institutions set up especially to promote the growth of entrepreneurship in small scale sector is quite unique.

Need for Market Support

The modern marketing requires product planning, process planning and market planning. Entrepreneurs are expected to learn these three planning techniques to withstand and survive in the competitive market. So they require some support from inside the outside the organisation.

Small scale entrepreneurs face difficulties to enter the market independently. There are mainly two types of problems for marketing the products of SSIs. The first type of problem associated with product may be created due to lack of standardization, inadequacy of products, unsuitable packing and difference in the quality of materials used. The second type of problem may be developed from inadequate resources at the disposal of SSIs for identifying market outlets and marketable characteristics of their product.

Marketing support is the basic requisite to the entrepreneurs to continue their venture for an indefinite period of time and to stay in the market.

Institutional Support

To strengthen the marketing efforts of SSIs. Government has extended various types of assistances such as market research survey studies, dissemination of information relating to market and various marketing aspects, sub contracts exchange, quality marketing scheme, ancillary promotion, publicity, exhibitions, trade fairs, displays, training programmes, seminars, open house discussions, buyer seller meets, marketing consultancy services, trade centres and export marketing assistance.

There are some institutions (Central and States) and schemes to extend marketing support to the small scale enterprises. Marketing support is the felt need of the hour to the small scale enterprises in India. The small scale enterprises are in need of institutional support to market their products and to survive in the business.

In order to assist the small scale industries in their marketing programme. Government of India and State Governments have established various institutions, such as

- National Small Industries Corporation
- State Small Industries corporation.
- Small Industries Development Organisation
- Khadi and Village Industries Commission,
- Export Promotion Councils, Commodity Boards,
- State Trading Corporation,
- Minerals and Metals Trading Corporation, etc.,

A brief note about the role of few institutions who are extending market support to entrepreneurial ventures are given below.

Reservation of Products

The Government and other agencies have reserved certain items to be procured from the small scale industries. The policy helps the small scale enterprises to expand their market. The State Small Industries Corporation and National Small Industries Corporation help to the small scale enterprises to market their products to the Government. For providing marketing support to SSIs. Government stores purchase programme in the form of reservation of products (358 items) for exclusive purchase from small scale sector and price preference programme is a major instrument.

Central Government Stores Purchase Programme

This programme is meant for procuring stores needed by the Central Government, State government, Public Sector organizations and other Government and Semi-Government bodies. The Central Government Stores Purchase Programme provides the following support to small scale enterprises in order to expand the market for their products.

(i) Price preference to products of cotton and small scale enterprises, including reservation of certain items of stores for purchase from the small scale sector only and

(ii) Providing facilities for the registration of small scale and cottage industries.

Marketing Support by National Small Industries Corporation (NSIC)

The NSIC was established to coordinate the small scale units scattered in the country and make them to participate in the Government purchase programme. Steps were taken to give priority to the small scale units in Government procurement. NSIC services as a liaison agency to enable the small sale enterprises to get a substantial share in the Government procurement. NSIC acts as an agent between the Director-General of Supplies and Disposals (DGS&D), Government of India and the small scale enterprises of our country. The NSIC is a recognized export house also. It encourages exports of the small scale units-hardwares, industrial fastners, sanitary fittings, locks and machine tools etc.

State Small Industries Development Corporation (SSIDC)

State Small Industries Development Corporation takes steps to promote exports of the small scale enterprises. These corporations support the various export promotional programmes organised by the small industries service institute. State Small Industries Development Corporations are established under the Companies Act 1956. These corporations are created for catering to the needs of the small, tiny and cottage industries in the respective state or union territory. At present there are 18 State Small Industries Development Corporations (SSIDC) are functioning in India.

The Services of the SSIDC are given below

(a) Procurement and distribution of scarce raw materials to the small scale units.
(b) Supplying machineries and other equipments to the small scale units on hire-purchase basis.
(c) Providing marketing support to the products of the small scale enterprises.
(d) Providing infrastructure facilities to the small scale units.
(e) Maintenance of infrastructure facilities.
(f) Construction of industrial estates and sheds for the benefit of small scale units.
(g) Extending seed capital assistance on behalf of the state governments.

SSIDC serves the small scale, tiny and cottage industries to increase market share for their products.

Marketing Assistance by SIDO

Small Industries Development Organisation through its network of Small Industry Service Institute & Extension Centres throughout India provides assistance for promotion of exports of Small Industries products. The activities in this regard include dissemination of information about foreign markets, consultancy services in matters of export procedures and undertaking production of items having export potential, organizing meetings and seminars on export promotion etc., The training programmes, seminars and workshops are organised on packaging techniques for the benefit of small scale industries.

Khadi and Village Industries Commission (KVIC)

The Khadi and Village Industries Commission was established by an Act of Parliament in 1956. Promoting Khadi and Village Industries in the rural areas is the basic objective of KVIC. It provides marketing support to the rural industries. KVIC and established retail outlets throughout India for selling the products of the rural industries.

There are 30 State Khadi and Village Industries Board functioning in India to cater to the needs of the Khadi and Village industries. The KVIC provides necessary support needed to the entrepreneurs through State Khadi and Village Industries Boards and Khadi and Village Industries Programme.

Khadi and Village Industries Board in Collaboration with the concerned District Rural Development Authority has brought out the following developments:

- Upgrading of Khadi and Village industries technology.
- Improving quality of KVI products
- Establishing rapport with exporters for exporting KVI products
- Utilising distribution network of large scale and reputed business houses.
- Expanding need based product line in KVI.

Pondicherry Industrial Promotion Development and Investment Corporation Ltd., (Pipdic)

The Pondicherry Industrial Promotion Development and Investment Corporation Ltd., (PIPDIC) is the only major agency (apart from the Commercial Banks) in the sphere of entrepreneurial development and finance. PIPDIC is the promotional, developmental and investment corporation as the name itself suggests. It was established in the year 1974 with the primary objective of promoting the industrial development (with the equity participation from the Government of Pondicherry and Industrial Development Bank of India).

It aims at promoting the small, medium and large scale industries by providing:

(i) Financial assistance to the entrepreneurs;
(ii) Developing Industrial Estates with all infrastructural facilities.
(iii) Various ancillary services to entrepreneurs; and
(iv) Implementing a package of incentives.

State Trading Corporation (STC)

The State Trading Corporation of India Ltd., was established in May, 1956 under the Indian Companies Act 1956 and it was designated as the sole import agency for the products that the Government imports from time to time. Its main aim is to increase India's exports and to facilitate for the import of essential capital goods, raw materials and other components. It concentrates to expand the existing market and to promote exports of certain bulk commodities and to canalize the import of bulk commodities.

STC promotes through its subsidiaries viz.,

- The Project and Equipment Corporation of India Ltd.,
- The Tea Trading Corporation of India Ltd.
- State Chemicals and Pharmaceuticals Corporation of India Ltd.
- The Cotton Corporation of India Ltd.
- The Cashew Corporation of India Ltd.,

Export Promotion Councils (EPCs)

The EPCs are established under the companies act 1956 to provide direct institution support to the entrepreneurs who are involving in export trade. Separate EPCs has been created by every type of Industry. EPCs has been created by every type of Industry. EPCs helps the member exporters on technical matters, export marketing strategies and export promotion.

Commodity Boards

Commodity Boards are established by the Govt. of India in order to help the organisation of Industry and trade. The boards take care of the entire range of problems of production, marketing, promotion, competition etc., on respect of the commodities concerned. They take steps for the development of cultivation, increased productivity, processing, marketing and R & D. Some of the commodities are:

- All India Handlooms and Handicrafts Board.
- Coir Board
- The Central Silk Board etc.,

Ancillary development and Marketing Assistances

The ancillary division of SIDO functions as a nodal agency of the central government to develop small scale and ancillary sub-contracting units in the country through its network of 16 sub contracting exchanges and SISIs set up in various parts of India. They organised various programmes such as

- State level ancillary development seminars
- Buyers Sellers meet cum exhibitions
- State level ancillary advisory committee meeting
- Plant level committee meeting
- National workshop on automobile ancillaries
- Regional workshops on ancillary development.
- New SSI enlisted with sub-contracting exchanges and
- Small scale units assisted by the sub contract exchanges.

Tender Marketing

In order to help SSIs in marketing their products. Small Industries Corporation in the States submit tenders on behalf of the SSIs to the various agencies like Railways. Defence and State Store Purchase Authorities including Public sector undertakings.

Trade Centres

Trade centres have been established by the Government of India for marketing of small industries products. The centres collect and disseminate information relating to all types of small scale industries in the region, given full details of products, capacities and prices.

They provide library cum documentation service and function as agencies for contracts between small scale units and prospective buyers in the country and abroad. They also assist the small scale units in the maintenance of quality control and the adoption of standardization.

International Marketing

Trade fairs and exhibitions provide a marketing ground for buyers and sellers as a result of which the communication gap is reduced and transactions are facilitated. During exhibitions SIDO provides different facilities to the small scale entrepreneurs without any charge, such as space in exhibition pavilion, sea freight, handling and clearing facilities etc.

Entrepreneurship and Financial Support

Finance is the lifeblood of any entrepreneurial venture. It is a basic requirement to commence a project. Entrepreneurs are in need of capital to start business and they can get financial assistance at every stage of business. Entrepreneurs should plan in advance to procure the needed finance for investment from the external sources. They should identify the financial institutions providing financial assistance for their projects. Financial institutions provide financial assistance to meet fixed capital working capital and venture capital requirements of the entrepreneurs.

Types of Finance

Entrepreneurs require three types of finances depending upon their nature of business. They are:

(i) Short Term Finance

Short term finance refers to funds required to meet the commitments during the shorter period of time i.e., less than one year. Short term finance is used to meet the temporary working capital of the enterprise. Short term financial requirements can be met through the following sources:

- Bank Credit
- Trade Credit
- Instalment Credit
- Customer Advance

(ii) Medium-Term Finance

Medium term refers to a period of five years. Medium term finance is required to meet permanent working capital needs, to expand the business, to replace certain assets and to meet the expenses for modernization. Medium term financial requirements can be fulfilled through the following source:

- Issue of shares and debentures
- Loans from the financial institutions and commercial banks
- Ploughing back of profits
- Public deposits

(iii) Long-Term Finance

Long term refers to the period exceeding five years. Long term finance is required to purchase fixed assets, establish a new business, and to meet the expenses of expansion and modernization of the business enterprise. The sources of long term finance are listed below:

- Issue of shares and debentures
- Long from the financial institutions providing long term finance
- Ploughing back of profit

Working Capital Support

Working capital refers to the capital required to meet the day-to-day expenses/commitments of the business enterprise. Working capital needs could be fulfilled through loans from the commercial banks in the form of hypothecation or pledge. Working capital assistance is also given by finance companies, state financial corporations and Cooperative banks.

Fixed Capital Support

Fixed capital refers to the capital required to purchase fixed assets such as land and buildings, plant and machinery, furniture etc., Fixed assets are used for processing the inputs and for getting standard output. Fixed capital needs could be fulfilled through market borrowings and term loans from the financial institutions as given below.

Institutional Framework

To provide assistance to the entrepreneurs the Government has set up Financial institutions which can be categorized into two groups. Viz.,

- All India Financial Institutions
- State Level Financial Institutions
- Commercial Banks
- Co-operative banks

Development Banks

The national level institutions are

- Industrial Development Bank of India
- Industrial Finance Corporation of India
- Small Industries Development Bank of India
- Industrial credit and Investment corporation of India

- National Small Industries Corporation
- National Bank for Agriculture and Rural Development
- Shipping Credit and Investment Corporation of India
- Industrial Reconstruction Bank of India

The State level institutions are further divided into

- State Financial corporations
- State Industrial Investment Corporation
- Small Industries Development Corporation

Investment Institutions

- Unit Trust of India
- Life Insurance Corporation of India
- General Insurance Corporation of India

Industrial Finance Corporation of India (IFCI)

IFCI was established in July 1948 under a special statute, as the first development bank in the country with the main object of making medium and long term credits available to industrial concerns. It's primary role is to provide financial assistance to medium, medium-large and large scale industries in all aspects and spread industrialization in the country.

Industrial Development Bank of India (IDBI)

IDBI was set up in July 1964. It is the apex financial institution among the development banks of the country for co-ordinating the activities of various financial institutions including banks, engaged in financing and promoting the industries spreading entrepreneurship development in the country.

The various industries eligible to get finance from IDBI includes the industries engaged in the manufacture, processing or preservation of goods, mining, shipping, transport, hotel industry, generation or distribution of power, fishing, repairing, testing or servicing of machinery or vehicles, vessels etc., setting up of industrial estates, research and development of

any process or product in providing special or technical knowledge or other services for the promotion of industrial growth. Besides, IDBI has the following main objectives.

1. To plan and promote the development of industries in the backward areas.
2. To provide financial and promotional assistance to all types of industries including for modernization and expansion of the units.
3. To undertake, market and investment surveys and also research activities to help the entrepreneurs.

The Industrial Credit and Investment Corporation of India (ICICI)

ICICI was set up in 1955 to encourage assist industrial development and investment in India. ICICI provides finance in the form of long and medium term loans or equity participation sponsoring and underwriting issues of shares and debentures, guaranteeing rupee and foreign currency loans from other sources making funds available for reinvestment and providing technical and administrative advice to Indian industry. Besides, it offers a wide range of services to eater for the variety of needs of the entrepreneurs viz.,

Small Industry development bank of India (SIDBI)

It is a national institution for promotion, financing and development of small scale industries. It came to operation on April 2, 1990. SSI can avail financial assistance from SIDBI through its direct and indirect financial assistance programme. All the programmes of the SIDBI are directed to solve the problems of the SSIs in areas like, quality of upgradation, obsolescence of technology and technology improvement, marketing, infrastructure development, delayed realization of bills, ancillarisation, export financing and venture capital financing.

National Bank for Agriculture and Rural Development (NABARD)

It has been established for promoting agriculture and rural development in the country. They provide direct finance and refinance facilities to State Cooperative Banks, RRBs and other financial institutions. They take steps for promoting integrated rural development and to provide

all sorts of production and investment credit for agriculture and rural development.

State Financial Corporations (SFCs)

They play a pivotal role in the development financing system of the concerned state. They provide financial assistance to promote small and medium scale industries so as to bring balanced regional development in the country. They are performing multiple roles such as providing financial assistances through various schemes, imparting training schemes and also undertaken all sorts of promotional efforts. There are 18 SFCs functioning in our country. They provide financial support for transport operators, setting up hotels, hospitals and tourism related activities. They have special schemes for women entrepreneurs, schedule caste schedule tribe, ex-servicemen and physically handicapped.

Commercial Banks

Commercial banks play a vital role in providing financial assistance to all types of entrepreneurial activities. They participated in lending programme sponsored by the Government for the benefit of SSIs, agriculture rural industries. They have wider network of branches in India which facilitate them to serve the people living in rural areas and remote villages. Priority sector lending is a specific lending programme of the commercial banks. Around 40% of the net bank credit is earmarked for priority sector lending. They provide term loan and working capital finance to industrial sector by means of assisting self employment opportunities in the rural and urban areas.

Types of Assistance

The All India Financial Institutions provide the following kinds of assistance:

- Term loans 1. Rupee loan 2. Foreign currency loan
- Underwriting of equity / preference shares /bonds and debentures
- Direct subscription to the capital
- Issue Guarantee (IFCI, ICICI)
- Bills discounting scheme (IDBI)

- Operation of Technical Development fund (IDBI)
- Soft Loan schemes (IDBI)
- Seed capital Assistance (IDBI)
- Risk Capital Assistance (IFCI)
- Direct loans scheme
- Refinance of Industrial Loan Scheme
- Refinance Scheme for industrial rehabilitation
- Refinance scheme for modernization
- Development Assistance Fund
- Merchant banking
- Facilities for non-resident Indians
- Letters of credit
- Project Promotion
- Backward Area Development

However, the major function of all the institutions are to provide term loans. The State Level Institutions provide besides term loan, the following assistance.

- Underwriting of shares
- Direct subscription to capital
- Providing guidance in selection of project site etc.
- Operations of various incentives schemes
  - Central Investment subsidy
  - Sales tax loan / sales tax exemption
  - Operation of transport subsidy
- Leasing finance scheme

Thus, SFCs contribute about 20% of the total assistance sanctioned by all institutions taken together.

Investment Institutions

In addition to the above institutions, UTI, was established in 1964, LIC in 1956 and GIC was established in 1973 to meet the requirement of industrial projects on a limited scale. They mobilize savings of the people

and utilize it for the purpose of developing infrastructure facilities in our country. Investment institutions participate with other financial institutions in providing term loans to the industries and providing facilities for underwriting /direct subscription to the shares and debentures in industrial undertakings. These institutions normally do not sanction term loans.

International Financial Agencies

International Financial Agencies (World Bank, International Bank for Reconstruction and Development, International Development Association) provide financial support to the projects of their member countries. The agencies provide financial support to the projects related to social and economic progress of the member countries.

The services of the IBRD and IDA are listed below

(a) Providing financial support to the member countries.

(b) Providing economic advice and technical assistance

(c) Serving as a catalyst to investment by others

(d) Assisting the member countries for reconstruction and development of their economy by facilitating investment of capital for productive purposes.

(e) Promoting foreign investment by guarantees or through participation and other investment of capital for fulfilling the investment needs of the number countries.

(f) Maintain equilibrium in the balance of payments of member countries by promoting international investments for creating productive resources and increasing exports in the member countries.

Asian Development Bank's (ADB) strategic objectives are given below

(a) Promotion of growth

(b) Reduction of poverty

(c) Improvement of the status of women

(d) Development of human resources (including among other things, population planning) and

(e) Sound management of natural resources and the environment

Efforts are taken by the ADB to strengthen basic infrastructure to enable the member countries to face the problems generated by rapid urbanization. Improving living conditions in slums and squatter settlements is also an important element of the Bank's urban development projects. ADB sanctions projects on Environment Preservation and Natural Resources Management.

Finance is now made available to entrepreneurs on a 'totality' basis by commercial banks, national and state level financial institutions, investment companies and international financial institutions to meet their medium term and long term requirements.

Credit facilities are being granted for the construction of factory building, the purchase of plant, machinery and equipment and also for working capital requirements. Loans are being given for expansion, renovation and modernization of business unit. Thus the institutional supports stimulate entrepreneurial activity and generate more robust economic development.

Banks and Financial Institutions are very much concerned about the effective utilization of their scarce resources. Hence, they have designed their operational principles and procedures on scientific lines and practiced them for realizing the objectives of the Corporation. This chapter briefly describes the project financing procedure practiced by the financial institutions. In discharge of its functions, these institutions are required to act on business principles; due regard to being given to the interest of industry, commerce and general public.

A special feature of its lending policy is that it is tailored to the changing requirements of a growing economy and at the same time with the objects of the national policies and priorities laid down from time to time by the Central Government. The Corporation has had to strive continuously to sophisticate its tools for project appraisal, implementation and follow-up.

The process of project financing goes through the different stages viz.,

- Conceptualisation Stage
- Application Stage

- Processing Stage
- Sanction Stage
- Disbursement Stage
- Post-Disbursement Stage

It is the first stage where the promoter goes in for the selection of the product / project. He may consultant the FIs officials or consultants to have the advice about the desirability of setting up a particular project. Then he has to prepare a detailed project report and submit it alongwith a prescribed application form. Then detailed procedure of the appraisal of the project is initiated by FIs. It is at this stage that promoter starts negotiating with the financial institutions for the sanction of the necessary financial assistance.

Once the basic information is available in the application practice of registration of project begins. The registration committee also take into consideration the government guidelines with respect to location and type of the industry proposed and other criteria like eligibility of seed capital and refinability etc.,

Immediately after the project is cleared by registration committee the following actions are normally taken:

a. Allotment of the case to appraising officer.
b. If, the application is incomplete additional information maybe asked.

The proposal is likely to get favourable consideration of the Registration Committee if

- The project has some priority according to Govt. Policy.
- The promoters inspire confidence
- The product has a distinct market potential
- The project cost is not unreasonably high and is comparable with similar projects earlier financed by the institution.
- The promoter's contribution is satisfactory.
- The profitability estimates are conservative and indicate that the repayment is to be made after a reasonable time.

The proposal is likely to be rejected if some of the following features are observed.

- Bankers report about promoter is not satisfactory
- Promoters are economic offenders
- Promoters hail from a group which is not taking steps to rehabilitate the other unit assisted by institutions.
- Financial position of company is not satisfactory
- The product belongs to low priority sector.
- Setting up of the unit would adversely affect the existing units.
- Cost of the project is unduly excessive
- Promoter's contribution is low and promoters don't agree to increase it.
- Debt-Equity ratio is adverse
- Collaborators have inadequate experience
- Past experience of institutions with consultant is not satisfactory Proces know-how has become obsolete / is insufficient
- Availability of raw material is inadequate
- Project does not have adequate market potential

Centre for Entrepreneurship Development

Centre for Entrepreneurship Development, Tamil Nadu (CED-TN) was established, during 1990, as a public Charitable Trust to function as an Autonomous Institution of Madurai Kamaraj University. CED-TN operates as a non-profit making organization and committed to promote/ enhance entrepreneurship culture in the State of Tamil Nadu.

Mission and Objectives

The three core objectives of CED (Tamil Nadu) are:

- To promote Entrepreneurship Culture in the State of Tamil Nadu.
- To enhance employability of educated unemployed youth through Professional Training.
- NGO Capacity Building for Mass Employment Generation through Income Generation Activities.

Professional Services offered by CED (Tamil Nadu)

Entrepreneurship Development Programmes

- Achievement Motivation Training.
- Training of trainers and Extension Officers
- Managerial Skill Development
- Technical Skill Development
- Export Marketing
- Project Report Preparation and Evaluation
- Working Capital Management
- Performance Improvement Programme (PIP)
- Institutional Capacity Building
- Self Help Groups (SHGs) and Micro Enterprises
- Women Empowerment

Information Dissemination

- Entrepreneurship Awareness Camps
- Regional / National Seminars / Workshops / Conferences on topical issues
- Facilitation Seminars on Govt. Schemes like Technology Upgradation Fund of Textile Committee, Govt. of India and Margin Money Assistance Scheme of Khadi and Village Industries Commission (KVIC), etc.,
- Technology Transfer

Consultancy Services

- Pre-investment Feasibility Studies
- Preparation of detailed Techno-Economic Feasibility Reports.
- Identification and Selection of Viable Project Opportunities.
- Diagnostic Studies of Modernization and Technology Upgradation in Existing Industries.
- Diagnostic Studies for Rehabilitation / Revival of Sick Industrial Units.

- Industrial Clusters of Micro and Small Enterprises in specific sectors.

Research and Consultancy Activities

- Marketing Research
- Industrial Potential Survey
- Technology Transfer
- Evaluation of Training Activities
- Evaluation of Project Implementation
- Evaluation of Policy Implementation
- Industrial Clusters

Summary

This chapter has described the functions of different institutions in promoting entrepreneurship skills among the people so as to make the country an industrially developed one. The budding entrepreneurs could understand whom we have to approach for getting ideas, approval and various clearances to set up an industrial unit. Besides, this chapter provides an overview of marketing related information and financial institutional support available to entrepreneurs and enterprises in India.

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Lesson 2.4 - Small Entrepreneurs Development

Learning Objectives

Having gone through this lesson one may be able to understand the following.

- Overview of small scale industry
- Micro Small and medium enterprise development act 2006
- The various incentives available for entrepreneurs.
- The different schemes through which incentives are being given.
- How to avail those incentives?

Over the past five decades, Government policies have been to protect the interests of the SSI sector and facilitate is rapid development, the Government, in pursuance of its policies, initiated various support measures from time to time which include policy reservation, revision of investment ceilings, modernization, technological upgradation, marketing assistance, fiscal incentives etc.,

The small scale sector owes its definition to the industries (Development and Regulation) Act, 1951. The sector is defined in terms of investment limits in plant and machinery (original value), upto a prescribed value. It comprises a wide divergent spectrum of industries, ranging from the micro and rural enterprises, using rudimentary technology on the one hand to the modern small scale industries using sophisticated technology on the other.

With effect from October 2001, the investment ceiling in Plant & Machinery in respect of 41 items covering two broad groups of Hosiery & Hand Tolls has been enhanced to ₹ 500 lakh.

Profile of SSI sector in the Industrial Sector

The SSI Sector accounts for:

- 95% of industrial units in the country.
- 39.92% of value added in the manufacturing sector.
- 34.29% of national exports.
- 6.86% of Gross Domestic Product (GDP)

The **Small Industries Development Organisation** (SIDO), headed by the Additional Secretary & Development Commissioner (SSI), being an apex body for formulating and overseeing the implementation of the policies for the development of small scale industries in the country, is playing a very positive and constructive role for strengthening this vital sector. It functions through a network of SISIs, Branch SISIs, Regional Testing Centres, Footwear Training Institutes, Production Centres, Field Testing Stations and specialized institutes. It renders services such as:-

- Advising the Government in policy formulation for the promotion and development of small scale industries.
- Providing techno-economic and managerial consultancy, common facilities and extension services to small scale units.
- Providing facilities for technology upgradation, modernization quality improvement and infrastructure.
- Developing Human Resources through training and skill upgradation.
- Providing economic information services.
- Maintaining a close liaison with the Central Ministries, Planning Commission, State Goverments, Financial Institutions and other Organisations concerned with development of Small Scale Industries.
- Evolving and coordinating Policies and Programmes for development of Small Scale Industries as ancillaries to large and medium scale industries.

Small Industries Development Organisation (SIDO) had set up a cell for ancillary development to promote ancillarisation and sub-contracting in the country and has taken up the challenges to open new avenues for the small scale sector to ward off the psychological fear of

failures due to competition from imported goods as a result of WTO agreements. This has been done through intensified efforts of promoting ancillarisation and sub-contracting by providing a common platform to small scale industries as well to the buyer organizations which hitherto were dependent on inputs or otherwise through the concept of organizing Vendor Development Programmes (VDPs) on larger scaled and setting up more sub-contracting Exchanges (SCXs) in different parts of the country.

Over the years SIDO has served a very useful purpose as a catalyst of growth of small enterprises through its vast network of field organizations spread over different parts of the country.

Support from State / Industry Associations

At the State level, concerned Commissioners / Directors of Industries implement policies for the promotion and development of small scale, cottage, medium and large-scale industries. The Central policies for the SSI sector serve as the guidelines, but each State evolves its own policy and package of incentives. The State departments also oversee activities of the field offices, viz., District Industries Centres (DICs). In addition, State Financial Corporations, State Small Industrial Development Corporations, Technical Consultancy Organisations, operate at the state level to assist the promotion and development of SSIs. Other regional level agencies include State Infrastructure Development Corporations, State Cooperative Banks, Regional Rural Banks, State Export Corporations, Agro Industries Corporations and Handloom and Handicrafts Corporations. At the grass root level, NGOs play an important role for the development of tiny and cottage units.

Industry Associations provide support to the SSI sector and offer a common platform to raise industry-related issues. Government policies, in recent years, have stressed the increasing role of Industry Associations in the setting up of common facilities and other ventures in the area of technology, marketing and other support services. Industry Associations also impart institutional support to the small scale sector. Some of the major associations like Confederation of Indian Industry (CII); Federation of Indian Chamber of Commerce and Industry (FICCI); PHD Chamber of Commerce and Industry (PHDCCI); Associated Chamber of Commerce & Industry of India (ASSOCHAM); Federation of Indian

Exporters Orgaganisation (FIEO); World Association for Small & Medium Enterprises (WASMe); Federation of Associations of Small Industries of India (FASII); Consortium of Women Entrepreneurs of India (CWEI); Laghu Udyog Bharati (LUB); Indian Council of Small Industries (ICSI) etc. have been helping and motivating SSI entrepreneurs.

The Msmed Act 2006

Classification of Enterprises

1. Notwithstanding anything contained in section 11B of the Industries (Development and Regulation)Act, 1951, the Central Government may, for the purposes of this Act, by notification and having regard to the provisions of sub-sections (4) and (5), classify any class or classes of enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership firm, company or undertaking, by whatever name called, -

Definition

(a) in the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951, as -

Manufacturing Enterprises

Micro Enterprises

(i) a micro enterprise, where the investment in plant and machinery does not exceed twenty five lakh rupees;

Small Enterprise

(ii) a small enterprise, where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; or

Medium Enterprise

(iii) a medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

Service Enterprises

(b) In the case of the enterprises engaged in providing or rendering of services, as -

Micro Enterprises

(i) a micro enterprise, where the investment in equipment does not exceed ten lakh rupees;

Small Enterprises

(ii) a small enterprise, where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or

Medium Enterprises

(iii) a medium enterprise, where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

Explanation 1

For the removal of doubt, it is hereby clarified that in calculating the investment in plant and machinery, the cost of pollution control, research and development, industrial safety devices and such other items as may be specified, by notification, shall be excluded.

Explanation 2

It is clarified that the provisions of section 29B of the Industries (Development and Regulation) Act, 1951, shall be applicable to the enterprises specified in sub-clauses (i) and (ii) of clause (a) of sub-section (l) of this section.

Filing of Memoranda by MSMEs

- Process of two stage registration of Micro & Small Enterprises dispensed with & replaced by filling of memoranda.
- Filing of memoranda optional for all Micro & Small enterprises and service sector medium enterprises.
- Filing of memorandum mandatory for manufacturing sector Medium Enterprises.

Notwithstanding anything contained in section 11B of the Industries (Development and Regulation) Act, 1951 and clause (h) of section 2 of the Khadi and Village Industries Commission Act, 1956, the Central Government may, while classifying any class or classes of enterprises under sub-section (i), vary, from time to time, the criterion of investment and also consider criteria or standards in respect of employment or turnover of the enterprises and include in such classification the micro or tiny enterprises or the village enterprises, as part of small enterprises.

1) Any person who intends to establish,-

(a) A micro or small enterprise, may, at his discretion; or

(b) A medium enterprise engaged in providing or rendering of services may, at his discretion; or

(c) a medium enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, shall file the memorandum of micro, small or, as the case may be, or medium enterprise with such authority as may be specified by the State Government under sub-section (4) or the Central Government under sub-section (3):

Provided that any person who, before the commencement of this Act, established—

(a) a small scale industry and obtained a registration certificate, may, at his discretion; and

(b) an industry engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the

Industries (Development and Regulation) Act, 1951, having investment in plant and machinery or more than one crore rupees but not exceeding ten crore rupees and, in pursuance of the notification of the Government of India in the erstwhile Ministry of Industry (Department of Industry (Department of Industrial Development) number S.O 477(E), dated the 25th July, 1991 file an Industrial Entrepreneurs' Memorandum, shall within one hundred and eighty days from the commencement of this Act, file the memorandum, in accordance with the provisions of this Act.

2. The form of the memorandum, the procedure of its filing and other matters incidental thereto shall be such as may be notified by the Central Government after obtaining the recommendations of the Advisory Committee in this behalf.

3. The authority with which the memorandum shall be filed by a medium enterprise shall be such as may be specified, by notification, by the Central Government.

4. The State Government shall, by notification, specify the authority with which a micro or small enterprise may file the memorandum.

5. The authorities specified under sub-sections (3) and (4) shall follow, for the purposes of this section, the procedure notified by the Central Government under sub-section (2).

Apex Consultative Body with Wide Representation of Stakeholders

National Board for Micro, Small and Medium Enterprise (MSME) headed by the Central Minister i/c of MSMEs and consisting of 47 members among.

- Members of Parliament
- Representatives of Central Ministries State Governments
- UT Administration
- RBI, SIDBI, NABARD
- Associations of MSMEs including women
- Persons of eminence and
- Central Trade Union Organisations.

National Board to be now statutory as against non-statutory as against non-statutory SSI Board Quarterly meetings of National Board made mandatory.

Functions of the National Board

- Examine the factors affecting the promotion and development of MSMEs and review the policies and programmes of the central government.
- Make recommendations on matter referred to it by the Central Government.
- Advise the Central Government on the use of Fund or Funds constituted under section 12.

Constitution of Advisory Committee

Headed by Central Government Secretary i/c of MSMEs & including.

- Not more than five officers of the Central Government; not more than three representatives of State Governments &
- One representative each of the Associations of Micro, Small and Medium Enterprises.

Functions of the Advisory Committee

- To examine the matters referred to it by the nation board.
- To advise Central & State Governments.

Promotional & Enabling Provisions

- Central Government to notify programmes guidelines or instructions for facilitating the promotion and development and enhancing the competitiveness of MSMEs.
- Central Government to constitute, by notification, one or more funds.

- Central Government to credit to the Fund or funds, such sums as the Government may provide after due appropriation made by parliament by law in this behalf.
- Central Government to administer the Fund or funds for purpose mentioned in section 9 & coordinate and ensure timely utilization and release of sums with such criteria, as may be prescribed.

Credit

The Policies and practices in respect of credit to the MSMEs shall be progressive and such as may specified in the guideline or instructions issues by the RBI, with the aims of:

- Ensuring smooth credit flow to the MSMEs.
- Minimizing sickness among them and
- Ensuring enhancement of their competitiveness.

Procurement Policies

Central Government or a state Government.

- To notify preference policies in respect of procurement of goods and services, produced and provided by MSMEs, by its Ministries, departments or its aided institutions and public sector enterprises (non statutory till now).

Provisions to Check the Delayed Payments

Provisions related to delayed payments to micro & small enterprises (MSEs) strengthened.

- Period of payment to MSEs by the buyers reduced to forty five days.
- Rate of interest on outstanding amount increased to three times the prevailing bank rate of Reserve Bank of India compounded on monthly basis.
- Constitution of MSE Facilitation Council(s) mandatory for State Governments.

- Provision for inclusion of one or more representations of MSE Associations in the Facilitation Council.
- Jurisdiction of the Council in a State to cover wherever the buyer may be located.
- MSE facilitation council may utilize the services of any Institution or Centre for conciliation and alternate dispute resolution services.
- Reference made to the Council to be decided within ninety days from the date of reference.
- Declaration of payment outstanding to MSE supplier mandatory for buyers in their annual statement of accounts.
- Interest (paid or payable to buyer) disallowed to supplier for deduction for income tax purposes.

No appeal against order of Facilitation Council to be entertained by any Court without deposit of 75% of the decreed amount payable by buyer.

- Appellate Court may order payment of a part of the deposit to the supplier MSE.

Facilitating Closure of Business

- Central Government may (within one year of the commencement of the Act) notify a scheme for facilitating closure of business by a micro, small or medium enterprise.

New Package for Ssi Sector

Policy Support

- The investment limit for the tiny sector will continue to be ₹ 25 lakh and for the SSI sector it will be ₹ 100 lakh.
- The Ministry of SSI, A & RI will bring out a specific list of high-tech and export oriented industries which would require the investment limit to be raised up to ₹ 5 Crore to admit suitable technology upgradation and to enable them to maintain their competitive edge.
- The Limited Partnership Act will be drafted quickly and got enacted.

Fiscal Support

- To improve the competitiveness of small Scale sector the exemption on excise duty limit has risen from ₹ 50 lakh to ₹ 1 crore.

Credit Support

- Composite loans limit has risen from ₹ 10 lakh to ₹ 25 lakh.
- The Small Scale Service and Business (Industry Related) Enterprises (SSSBEs) with a maximum investment of ₹ 10 lakh will qualify for priority lending.
- In the National Equity Fund Scheme, the project cost limit will be revise from ₹ 25 lakh to ₹ 50 lakh. The Soft loan limit will be retained at 25% of the project cost subject to a maximum of ₹ 10 lakh per project. Assistance under the NEF will be provided at a service charge of 5% per annum.
- The eligibility limit for coverage under the Credit Guarantee Scheme has been revised to ₹ 25 lakh from the present limit of ₹ 10 lakh.
- The Department of Economic affairs will appoint a Task Force to suggest revitalistion / restructuring of the State Finance Corporations.
- The Nayak Committee's recommendations regarding provision of 20% of the projected turn over as working capital is being recommended to the financial institution and banks.

Infrastructural Support

- The Integrated Infrastructure Development Centre (IIDC) Scheme will progressively cover all areas in the country with 50% reservation for rural areas.
- Regarding upgrading the industrial estates, which are languishing SSI Ministry will draw up a detailed scheme for consideration of the Planning Commission.
- A plan scheme for cluster development will be drawn up.

- The funds available under the non lapsable pool for the North East will be made use of for industrial infrastructure development, setting up of incubation centres, for cluster development and for setting up of IIDCs ins the North East including Sikkim.

Seed Capital Assistance

One of the constraints faced by the entrepreneurs, especially first generation or technical entrepreneurs, is the lack of resources to meet the minimum promoter's contribution. To help the entrepreneurs overcome the problem IDBI has come up with the scheme which has gained popularity as the Seed Capital Scheme. If the project is coming up in non-backward areas, then the project would not be eligible for subsidy. Hence, the entire amount of promoter's contribution would be brought by the contributor himself. This would be reduced to the extent of the subsidy if the project is coming up in backward areas like (category A, B, or C). the maximum amount which can be sanctioned is to the extent of ₹ 5 lacs per project on the fulfillment of certain conditions.

Objectives of the Scheme

The objective of the scheme is to create new generation entrepreneurs who have the requisite traits of entrepreneurship but whose financial resources are limited. It envisages extension of assistance at a nominal service charge for meeting the risk capital requirements of entrepreneurs. The scheme is expected to promote wider dispersal of ownership and control of industrial undertakings.

Incentives for Development of Industries in Backward Areas

As a part of the measures to ensure balanced regional development, Government of India have announced a number of concessions and facilities for industries established in selected backward districts/areas from time to time. The Central Government has declared 247 districts (covering about 70% of the areas in the country) as backward and eligible for the subsidies. Many State Governments have added to this list for the purpose of State level subsidies. The programme of assistance drawn up for setting up industries in the selected backward area/district is briefly indicated below:

(i) Concessional finance: All India financial institutions namely, Industrial Development Bank of India, Industrial Finance Corporation of India and Industrial Credit and Investment Corporation of India, extend financial assistance on concessional terms to all, new and existing industrial projects having expansion schemes irrespective of the project costs located in the 247 districts selected by the government. The concessions given by these financial institutions are in the form of lower interest rate, viz., 9.5% p.a. against be normal rate of 11%, a reduced commitment charge of 0.5% (which could be waived in exceptional cases), lower underwriting commission of 1.25% and 0.75% for shares and debentures respectively, initial moratorium period upto five years, longer amortizations of 15 to 20 years and participation in the risk capital on selective basis. Besides these, the IDBI follows a flexible attitude in respect of promoter's contribution, margin requirements, rescheduling of repayments during the currency of the loan. Depending upon the merits of specific cases in respect of refinance, the IDBI charges a special rate of 6% with the primary lender's rate being subject to a ceiling of 9.5%. The normal rate of refinance is 6% with ceiling of 12.5% by the primary lending institution.

(ii) Central Investment Subsidy: The granting of cash subsidy on the capital investment is called capital investment subsidy. It will be usually in the form of outright grant of 10% to 20% of the amount of capital invested in the industrial units in areas specified to be backward regions/districts. The government also fixes ceiling above which they could not avail. It is offered by the Central Government.

Out of the 247 districts declared backward by the planning commission, 101 districts/areas have been selected to qualify for Central investment subsidy. These districts / areas have been selected on the pattern of six districts / areas for industrially backward states and three districts / areas for other states.

Machinery on Hire Purchase

Small scale industrial units including ancillaries are eligible to procure machinery on hire purchase basis from the National Small

Industries Corporation Ltd, through its liberalized terms and conditions for supplying machinery to small scale industries located in backward areas which qualify for investment subsidy. According to the liberalized terms, with effect from 1st October 1975, the earnest money payable by technocrats and entrepreneurs from declared backward areas in 10% as against 15% in other cases. The rate of interest is 11% p.a. in respect of technocrats and entrepreneurs coming from backward areas and 13.5% in case of others. These concessional rates are available to units having a total investment in plant and machinery up to ₹ 2 lakhs. A rebate of 2% is allowed for prompt payment.

Special Facilities for Import of Raw Materials

The Import Policy of 1978-79 has introduced special concession of import of raw materials in the case of industrial units set up in backward areas or by graduates / diploma holders in professional subjects or by ex-servicemen/persons belonging to scheduled castes/scheduled tribes. The maximum value of the licence shall be ₹ 5 lakhs in respect or new or proposed small scale units instead of ₹ 3 lakhs. They will also be eligible for preferential treatment in the matter of canalized items.

Transport Subsidy

The transport subsidy scheme, 1971 envisages grant fo a transport subsidy to industrial units in selected areas to the extent of 50% of the transport costs of raw materials which are brought into and finished goods which are taken out of the selected areas. The scheme has been extended up to the end of March 1985.

The scheme covers the State of Jammu and Kashmir, Himachal Pradesh, hilly areas of Uttar Pradesh and North Eastern Region comprising States of Assam, Meghalaya, Nagaland, Tripura and the Union Territories and Arunachal Pradesh, Andaman and Nicobar Islands, Mizoram and Lakshadweep.

Subsidy is paid on transport costs between the selected railheads and location of the industrial units in the above states / Union Territories.

Summary

The different incentives scheme available for entrepreneurs to fulfil their requirements are discussed thoroughly in this lesson. So it could create an awareness among the entrepreneurs what are the incentives available? and How to avail them?

Self Assessments Questions

1. Explain the need for motivation in promoting entrepreneurship.
2. What are the internal motivation factors promoting entrepreneurship.
3. Explain the significance of external motivation factors in inducing entrepreneurial spirit among youth.
4. What is entrepreneurial Motivation? Discuss.
5. "Entrepreneurial behaviour is the result of interaction of several internal and external factors". Comment.
6. Discuss the various types of growth strategies which can be adopted by the business firm.
7. 'Entrepreneurs are made not born' comment and give reasons for your views.
8. What do you mean by entrepreneurship development?
9. Discuss the different strategies of entrepreneurial development
10. How to identify entrepreneurial skills among unemployed youth?
11. Explain the selection process adopted to choise participants in the entrepreneurial development programme.
12. Briefly explain the need and content of entrepreneurial training programme.
13. Explain the objectives of entrepreneurial training and development programme
14. Discuss the services of NSTEDB (National Science and technology Entrepreneurship Development Board)
15. Explain the services technical consultancy organisation
16. What is IIC? Explain its role.

17. Explain the role of NGOs in promoting entrepreneurship
18. Discuss the contributions of CED in promoting entrepreneurship in TamilNadu.
19. Define the term 'Small Scale industry'.
20. Explain the provisions of SSI Policy.
21. Discuss the different types of government support for the development small scale industry.
22. What is seed capital assistance? Explain its objectives.
23. What are the different tax concession available for promoting small scale industries.
24. What is capital subsidy? How it promote entrepreneurship?
25. Discuss the different schemes of promoting entrepreneurship in backward and rural

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UNIT – III

Unit Structure

Lesson 3.1 - Project Identification

Lesson 3.2 - Project Formulation feasibility study

Lesson 3.3 - Project Report

Lesson 3.4 - Project Appraisal – market, technical, financial, commercial, managerial and social aspects

Lesson 3.5 - Ownership Structure

Lesson 3.1 - Project Identification

Learning Objectives

Having gone through this lesson, you may be able to:

- To know the importance of conceiving a good of project idea
- To ascertain the different sources from which a project idea can be generated
- To identify the steps involved in project identification and selection

Introduction

An entrepreneur has an infinitely wide choice with respect to his project in different dimensions such as product/service, market, technology, equipment, scale of production, time phasing and location. Hence, the identification of investment opportunities (projects) calls for understanding the environment in which one operates, sensitivity to emerging investment possibilities, imaginative analysis of a variety of factors and also chance of luck. This chapter is concerned with the scouting and screening of project ideas, steps in the project identification process and also consideration involved in identifying the new projects by an existing company.

Project Ideas

It is the first and foremost task of an entrepreneur to find out suitable business which is feasible and promising and which merit further examination and appraisal. Therefore, he has to first search for a sound workable business idea and give a practical shape to his idea. while doing so, the entrepreneur has to tackle the various problems from time to time to achieve the ultimate success. Since the good project ideas are elusive, a variety of sources should be tapped to stimulate the generation of project ideas.

Sources of Project Ideas

- Project ideas could originate from the various sources viz.,
- Success story of a friend/relatives
- Experience of others in manufacture/sale of product
- Examining the inputs and outputs of industries
- Plan outlays and government guidelines
- Suggestions of financial institutions and developmental agencies
- Investigation of local materials and resources
- Economic and social trend of the economy
- New technological developments
- Project profiles and industrial potential surveys
- Visits to trade fairs
- Unfulfilled psychological needs
- Possibility of reviving sick units

The various sources from which the project idea can be generated are explained below:

Analyse the Performance of Existing Industries

A study of existing industries in terms of their profitability and capacity utilisation is helpful. The analysis of profitability and break even level of various industries indicates promising investment opportunities. Opportunities which are profitable and relatively risk free. An examination of capacity utilisation of various industries provides information about the

potential for further investment. Such a study becomes more useful if it is done regionwise, particularly for products which have high transportation costs.

Examine the Inputs and Outputs Of Industries

An analysis of the inputs required for various industries may throw up project ideas. Opportunities exist when (I) materials purchased parts, or supplies are presently being procured from different sources with attendant time lag and transportation costs and (ii) several firms produce internally some components/parts which can be supplied at a lower cost by a single manufactures who can enjoy economies of scale.

A study of the output structure of existing industries may reveal opportunities for further processing of output or even processing of waste.

Examine Imports and Exports

An analysis of import statistics for a period of five to seven years is helpful in understanding the trend of imports of various goods and the potential for import substitution. Indigenous manufacture of goods currently imported is advantageous for several reasons:

- it improves the balance of payments situation
- it provides market for supporting industries and services
- it generates employment

Likewise, an examination of export statistics is useful in learning about the export possibilities of various products.

Plan Outlays and Government Guidelines

The government plays a very important role in our economy. Its proposed outlays in different sector provides useful pointers toward investment opportunities. They indicate the potential demand for goods and service required by different sectors.

Suggestions of Financial Institutions and Developmental Agencies

In a bid to promote development of industries in their respective states, state financial corporations state industrial development corporations and other developmental bodies conduct studies, prepare feasibility reports and offer suggestions to potential entrepreneur. The suggestions of these bodies are helpful in identifying promising projects.

Investigate Local Materials and Resources

A search for project ideas may begin with an investigation into local resources and skills, various ways of adding value to locally available materials may be examined. Similarly, the skills of local artisans may suggest products that may be profitably produced and marketed.

Analyse Economic and Social Trends

A study of economic and social trends is helpful in projecting demand for various goods and services. Changing economic conditions provide new business opportunities. A great awareness of the value of time is dawning on the public. Hence the demand for time saving products like prepared food items, ovens and powered vehicles has been increasing. Another change that we are witnessing is that the desire for leisure and recreational activities has been increasing. This has caused a growth in the market for recreational products and services.

Identify Unfulfilled Psychological Needs

For well established, multi brand product groups like bathing soaps, detergents, cosmetics and tooth pastes, the question to be asked is not whether there is an opportunity to manufacture something to satisfy an actual physical need but whether there are certain psychological needs of consumers which are presently unfulfilled. To find whether such an opportunity exists, the technique of spectrum analysis may be followed. This analysis is done somewhat as follows.

I) Important factors influencing brand choice are identified

(ii) respect of the factors identified in step

(iii) gaps which exist in relation to consumer psychological needs are identified.

Visit to Trade Fairs

Attending the National and International trade fairs provides an excellent opportunity to know about new products and new development.

The abovesaid sources of project ideas may be generated by the Government agencies, credit institutions, non governmental organisations and also by public.

The Govt. have largest resources and have the necessary information to generate project ideas and it plays a predominant role in this sphere. The government has the required facilities and manpower to conduct detailed studies which may lead to making investment decisions. Banks and other financial institutions are actively involved in sharing the social responsibility of achieving the national objectives of economic development. The co-operatives and non governmental organisations as well as individual entrepreneurs are now actively participated in identification of projects.

The awareness of involving the people or the beneficiaries in project identification is now increasing fast. Since the local people have the first hand knowledge of the potentials and problems of the area to which they belong, more realistic project identification has become possible with their involvement. It needs no emphasis the project ideas would be generated in better manner both in the qualitative as well as quantitative terms when the knowledge and ideas of the Govt. functionaries, people, the financial institutions and other experts are pooled together.

Purpose and Need for Project Identification

The entire economic management planning is based on two fundamental assumptions. i.e. a) limited means and b) unlimited ends. A planner has to select few important needs to cut it into size of his/her means. This may be treated as fixing the priority is called identification of project. It helps in elimination process. Identification and selection of a project is a scientific process. This process is based on certain essential conditions. It may differ from project to project. The essential conditions which should be taken into consideration for identification and selection of production projects are as follows:

i Project should be in conformity with the economic needs of the area.

ii It should take into account the depriving factors which might have adverse impact.

iii The input-output ratio should be optimum.

iv The purpose of the project is to increase the production and employment of the area.

Thus, the abovesaid conditions will differ due to resources availability, use pattern and other relevant conditions of the area. Besides that, project should also consider certain national priorities.

Steps in Project Identification

Project ideas are like other ideas which don't take concrete shape immediately. There are several stages of making propositions their considerations and scrutiny for their soundness.

An idea is first born, it is under incubation for sometime and subsequently it begins to take some definite shape. The project ideas to develop take almost the same course. This project identification may be broadly divided into four stages, viz.,

A. Conceptual stage - where project ideas are generated
B. Screening stage - at which unviable ideas are eliminated
C. Identification stage - at which viable projects are selected
D. Pre-feasibility state - at which pre-feasibility studies are taking up.

Conceptual Stage

A number of project ideas may be generated either by those officials or non-officials and entrepreneurs individually or collectively who are conversant with the area. In this context, one has to examine the potentialities of development and the problems, needs and aspirations of the people of the concerned area.

Screening Stage

In the second stage project ideas generated above are screened in a preliminary exercise to weed out the bad or unviable ideas. All project ideas would not pass the screening test. Some project ideas may be imaginary to warrant any serious consideration.

The third & fourth stages may be called as investment opportunity study. This study is necessarily preliminary and the broad one and has a limited objective of providing planners with a choice of projects from which they can make a selection. Pre-feasibility study is an intermediate stage between an investment opportunity study and a detailed feasibility study and these can be differentiated mainly on the basis of information required for respective stages.

Screening of Project Ideas

After gathering the project ideas from the various sources as aforesaid, it is essential to eliminate ideas which prima facie are not promising. This process of eliminating the irrelevant and unviable ideas is called screening of project ideas. It can be done with the help of testing the following conditions of the propositions.

a. Compatibility with the promoter
b. Consistency with governmental priorities
c. Availability of inputs
d. Adequacy of market
e. Reasonableness of cost
f. Acceptability of risk level etc.

The project idea must be compatible with interest personality and resources of the entrepreneur. It should be accessible to him and also it offers him the prospects of rapid growth and high return on invested capital.

The project idea must satisfy or go along with the governmental priorities, National goals and governmental regulatory framework.

- No contrary environmental effects to governmental
- regulations
- Easily accommodating foreign exchange requirements
- No difficulty in obtaining license.

The resources and inputs required for the project must be reasonably assured. This feature of the project can be assessed with the help of determining the following points relating to a project.

- Capital requirement within manageable limit
- Obtaining technical know-how
- Availability of raw materials at a reasonable cost
- Obtaining power supply

Identifying the adequacy of market is the key factor to select, the viable project idea. To judge the adequacy of market the following factors have to be examined.

- Total present domestic market
- Competitors and their market shares
- Export market
- Quality price profile of the product
- Sale and distribution system
- Projected increase in consumption
- Barriers to the entry of new units
- Economic social and demographic trends favourable to increased consumption
- Patent protection

Reasonableness of cost is another factor to screen the project ideas. The cost structure of the proposed project must enable it to realise an acceptable profit with a competitive price. The following cost factors must be carefully considered to design a viable cost structure.

- Cost of material inputs, labour costs, factory overheads.
- General administration expenses, selling and distribution costs.
- Service costs, economics of scale etc.

Acceptability of risk level is another factor which helps to screen the project ideas and hence determine the desirability of a project.

Methodology for Project Identification

To make a viable project it should be linked with the actual circumstances prevailing in the area. Without knowing the basic information relating to socio-economic conditions of the area, it is difficult to draw a suitable project for the area. Development needs and potentials vary from area to area. For specific area, before drawing a project, local condition and other relevant factors must be taken into consideration. Most of the project fail because they were not based on local problems. Assumptions based on macro level information may fail to watch at micro level. Survey is a technique to unearth the hidden information which are vital to identify the basic requisites of project i.e. need, resources and priorities. It also helps in making right choice between different alternatives. Secondly it presents lot of information to be used as bench mark information which will help at the later stage for evaluation of the project.

Project Identification for an Existing Company

Existing companies essentially large scale company form of organisations are continuously developing various projects for their developmental purposes. While doing so, the existing company has to make a more intensive analysis of its resources and environment and conceive of projects on the basis of its existing activities. An existing company which seeks to identify new project opportunities should undertake a "SWOT" analysis. It is an acronym law of strengths and weaknesses and opportunities and threats. This analysis evaluate all these four characteristics of existing company.

A brief summary of the points required for SWOT analysis is given below:

- Availability of internal financial reasons for new projects after taking into account the need for replacement expenditure, increase in working capital, repayment of borrowings and dividend payments.
- Capability of raising external financial resources.
- Availability of production facilities.
- Technological capabilities of the company.

- Availability of different sources of raw materials and its utilisation.
- Availability of infrastructural facilities.
- Cost structure and profit margins of the company.
- Distribution network of the company
- Market share of the company.
- Capability of top management of the company.
- State of industrial relations in the company.
- Impact of corporate laws on the growth of the company especially (MRTP ACT) etc.,
- Likely changes in the governmental policies.
- Possibility of evolving new technology and its impact on the cost structure of the company.
- Existence and severity of competition.
- Changes in the customers preferences, tastes etc.

By considering the abovesaid information keenly the SWOT analysis helps to provide the basis for the corporate strategy to be followed and indicate the major areas of thrust. These may include expansion of the capacity of existing product range, vertical integration, diversification in related areas and mergers.

Summary

Thus this lesson has explained to you the significance and mode of conceiving a good project idea. It also explains to you the various sources from which the project ideas can be generated and how one should select the project idea.

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Lesson 3.2 - Project Formulation Feasibility Study

Learning Objectives

This lesson will throw light on the following objectives.

- To impart the need for projection formulation
- To describe the project formulation process
- To know the criteria to be followed in project formulation
- To explain the nature and significance feasibility study.
- To know the components of feasibility study in a detailed manner.
- To give a brief content of feasibility report and how it can be checked?

Introduction

Project formulation is an investigating process which precedes investment decision. The purpose is to present relevant facts before the decision-makers to enable them to decide as to whether to go ahead signal should be given for the project or not.

Formulation of projects involves scientific procedure. The task of any formidable project is too many. It has to present several information subjective and objective in nature. It explains the objectives, goals and justification for the acceptance of the project. The major task of a project is to assess the financial, technical and managerial involvement and its justification considering the resource constraint. The project formulation stage involves the identification of investment options by the enterprise.

Project formulation is designed to bring the project sponsoring authority and the agencies from whom it has to get concurrence, support etc., on one wavelength. Project formulation by providing a scientifically developed procedure for developing the content as well as the format of the investment proposition, seeks to streamline the process of appraisal

of project at government and the aiding agencies level. So, the project formulation is a process involving the joint effort of a team of experts including the economists, the financial analysts and specialists in various fields a well formulated project provides a medium which cut across scientific, social and positional prejudices and provides a common meeting ground for all those who have a contribution to make in successful implementation of a project.

Stages in Project Formulation

The different stages in the project formulation process are briefly described as follows:

A. Feasibility analysis
B. Techno-economic analysis
C. Project design and network analysis
D. Input analysis
E. Financial analysis
F. Social cost-benefit analysis and
G. Project appraisal.

Feasibility Analysis

Feasibility analysis is the first stage in the process of project development. The purpose of the analysis is to examine the desirability of investing in pre-investment studies. For this purpose it is essential to examine project idea in the light of the available internal (inputs, resources & outputs) and external constraints (environment). When a project idea is taken up for developmental three situations can arise. The project may appear to be feasible, project idea is taken up for development three situations can arise.

The project may appear to be feasible, project may turn out to be not feasible or the available data may not be adequate for arriving at reasonable decision regarding further investment. In the last mentioned case, investment in pre-investment studies will obviously have to be deferred till such time as adequate data regarding the project feasibility is available. The project sponsoring body will therefore have to invest in

collecting additional data and refer the investment decision for the time being. In the second situation when the project is found to be not feasible, further investment in the project idea is completely ruled out. In the third situation, when the project idea is found to be feasible, the decision-makers can proceed to invest further resources in pre-investment studies and design development.

Techno-Economic Analysis

Techno-economic analysis is primarily concerned with the identification of project demand potential and the selection of the optimal technology which can be used to achieve the project objectives. The analysis provides necessary material on which the project design can be based. It also indicates whether the economy is in a position to absorb the output of the project or not.

Project Design and Network Analysis

Project design is the heart of the project entity. It defines the individual activities which go into the corpus of the project and their inter-relationship with each other. It identifies the flow of events which must take place before a project can start yielding the results for which it has been set up. The inter-relationship between various constituent activities of a project is most conveniently expressed in the form of a network diagram.

Project design and network analysis are concerned primarily with the development of the detailed work plans of the project and its time profile, and the presentation of this plan is the form of a detailed network drawing. Project design and network analysis make available to the project formulation team a clear picture of the work elements of the project and also their sequential relationship. This presentation the way for detailed identification and quantification of the project inputs, an essential step in the development of the financial and cost-benefit profile of the project.

Input Analysis

The objective is to identify and quantify the project inputs and to assess the feasibility of a sustained supply of these inputs all through the effective life span of the project. Resources are consumed in project

constituent activities. The best method of identifying the project constituent activities. The best method of identifying the project inputs is therefore to identify these activities determine the resources which each activity will consume individual requirements. Input analysis uses the network plans for developing the input characteristics of the project. If thereafter proceeds to evaluate the availability of the inputs both in quantitative as well as qualitative terms.

Resources required for a successful implementation of a project include not only the material inputs but also human resources which are necessary both for the setting up of the project as also its successful normalisation run. Resource requirements estimates form the basis of costs estimates of the project and are, therefore, essential for developing the financial profile and the cost-benefit profile of the project.

Financial Analysis

The objective of financial analysis is to develop the project from the financial angle and to identify these characteristics. Financial analysis concerns itself with the estimation of the project costs, estimation of project funds requirements. It also involves and appraisal of the financial characteristics of the project so as to establish the relative merits and demerits of the project as compared to other investment opportunities. Financial analysis reduces investment proposition in diverse fields of human activity to one common scale, thereby simplifying the project is developing project financial forecasts.

Cost Benefit Analysis

In judging the overall worth of the project, the effect which the project will have on society as a whole is very material. While financial analysis evaluates a project from the profitability point of view, social cost benefit analysis views it from the point of view of rational viability, the cost-benefit analysis however takes into account not only the direct costs and benefits which will accrue to the project implementing body but also total costs which all entities connected with the project will have to bear and the benefits which will be enjoyed by all such entities. The idea here is to evaluate the project in terms of absolute costs and benefits rather than in terms apparent costs and benefits.

Pre-Investment Appraisal

Pre investment appraisal is the process of consolidating the results of feasibility analysis, the techno-economic analysis, the design and network analysis, the input analysis, the financial analysis and the cost benefit analysis, so as to give the investment proposition a final and formal shape.

It naturally involves selection of appraisal format, the material which should go into pre-investment report and the form of presentation of various conclusions. The sum total of the pre-investment appraisal is to present the project idea in a form in which the project sponsoring body, the project implementing body and the outside agencies can take investment decision regarding the proposals.

Criteria to be Followed

The main criteria in the project formulation process are:

- Forecasting - understanding and precisely identifying the objectives/needs/goals (regional/ state/ national/ international) of the unit/society/economy on a sustained basis.
- Setting up priorities and choosing the goals that are more urgent
- Searching for alternations and carrying out feasibility studies to pick up projects that appear most beneficial and desirable.
- Carrying out detailed studies of the project so selected.
- Estimating the needed resources (human and physical) and finding the yearly cost and benefit of project.
- Arranging funds -both approval and allocation. The successful implementation of any project depends upon the timely availability of the required resources as per projections.
- Preparing of time schedule for all jobs so that the physical and financial targets of the projects are phased appropriately.
- Distributing the works to various departments or agencies having the appropriate technical expertise.

- Execution and controlling the project. This requires frequent reviewing, updating and constant action to restore the operation to its planned characteristics.
- Evaluating the performance of each project to ensure the worth of good or service for each rupee to be spent.

Feasibility

A feasibility report is an investment proposal base on certain information and factual data appraising the project. This type of feasibility study may be required by the financing institutions, project sponsor, project owner.

The feasibility report enables the project holder to know the inputs required and if rightly prepared confirms to the convictions that he is proceeding in the right direction. In other words, a project needs to be fully defined in order to provide terms of reference for the management of the project.

A project can be considered to have been fully established when the following conditions are fulfilled.

- The technical configuration of the project has been fully defined.
- The performance requirement for the various technical system and the key equipment have been specified.
- Cost estimate for the project is frozen.
- Techno-economic viability of the project has been examined, appraised and approved.
- An overall schedule for implementation of the project has been drawn-up.

The feasibility report is prepared during the definition phase of a project. It lies in between project formulation stage and appraisal and sanction stage. It is prepared to present an in-depth techno-commercial analysis carried out on the project idea for consideration of the financial institutions and other authorities empowered to take the investment decision.

Components of Feasibility Study

Project feasibility study comprises of market analysis, technical analysis, financial analysis, and social profitability analysis. The analysis is mainly interested only in the commercial profitability and thus examining only the market, technical and financial aspects of the project. But, generally the gamut of feasibility of a project covers the following areas.

1. Commercial and economic feasibility
2. Technical feasibility
3. Financial feasibility
4. Managerial feasibility
5. Social feasibility or acceptability

Commercial and Economic Feasibility

The economic feasibility aspect of a project relates to the earning capacity of the project. Earnings of the project depends on the volume of sales. If taken into consideration the following important indicators.

- Present demand of the goods produced through the project. i.e. market facility (or) getting a feel of the market.
- Future demand: a projection may be made about the future demand. The period normally depend upon the scale of investment.
- Determining the extent of supply to meet the expected demand and arriving at the gap.
- Deciding in what way the project under consideration will have a reasonable chance to share the market.
- Anticipated rate of return on investment. If it is positive the project justifies the economic norm in the relationship between cost and demand.

Future demand can be estimated after failing into consideration the potentialities of the export market, the charges in the income and prices, the multiples use of the product, the probable expansion of industries and the growth of new industries. The share of the proposed project in the market could be identified by considering the factors affecting the supply

position such as competitive position of the unit, existing and potential competitors, the extent of capacity utilisation, units costs advantages and disadvantages, structural changes and technological innovations bringing substitute into the market.

The commercial feasibility of a project involves a study of the proposed arrangements for the purchase of raw materials and sale of finished products etc. This study comprises the following two aspects.

- Arriving at the physical requirement of production input such as raw materials, power, labour etc., at various level of output and converting them into cost. In other words, deciding costing pattern.
- Matching costs with revenues with a view to estimating the profitability of the project and the break-even point. The possibility ultimately decides whether the project will be a feasible proposition.

Technical Feasibility

The examination of this aspect requires a thorough assessment of the various requirements of the actual production process and includes a detailed estimate of the goods and services needed for the project. So, the feasibility report should give a description of the project in terms of technology to be used, requirement of equipment, labour and other inputs. Location of the project should be given special attention in relevance to technical feasibility. Another important feature of technical feasibility relates the types of technology to be adopted for the project. The exercise of technical feasibility is not done in isolation. The scheme has also to be viewed from economic considerations; otherwise, it may not be a practical proportion however sound technically it may be.

The promoters of the project can approach the problem of preparation of technical feasibility studies in the following order:

- Undertaking a preliminary study of technical requirements to have a quick evaluation.
- If preliminary investigation indicate favourable prospects working out further details of the project. The exercise begins with engineering and technical specifications and covers the requirements of the

proposed project as to quality, quantity and specification type of components of plant & machinery, accessories, raw materials, labour, fuel, power, water, effluent disposal transportation etc.

Thus, the technical feasibility analysis is an attempt to study the project basically from a technician's angle. The main aspects to be considered under this study are: technology of the project, size of the plant, location of the project, pollution caused by the project production capacity of the project, strength of the project. Emergency or stand-by facilities required by the project sophistication such as automation, mechanical handling etc. required collaboration agreements, production inputs and implementation of the project.

Financial Feasibility

The main objective of this feasibility study is to assess the financial viability of the project. Here, the main emphasis is in the preparation of financial statement, so that the project can be evaluated in terms of various measures of commercial profitability and the magnitude of financing required can be determined. The decision about the financial feasibility of a project should be arrived at based on the following consideration:

- For existing companies, audited financial statements such as balance sheets, income statements and cash flow statements.
- For projects that involve new companies, statements of total project cost, initial capital requirements, and cash flow relative to the projective time table.
- Financial projections for future time periods, including income statements, cash flows and balance sheets.
- Supporting schedules for financial projections stating assumptions used as to collection period of sales, inventory levels, payment period of purchases and expenses and elements of production cost, selling administrative and financial expenses.
- Financial analysis showing return on investment return on equity, break-even volume and price analysis.
- If necessary sensibility analysis to identify items that have a large impact on profitability or possibly a risk analysis.

Managerial Feasibility

The success or failure of a project largely depends upon the ability of the project holder to manage the project. Project is a bundle of activities and each activity has its own role. For the success of a project, a project holder has to co-ordinate all the activities in such a way that the additive impact of different inputs can produce the desired result.

The ability to manage and organise all such inter related activities come within the concept of management. If the person incharge of the project, has the ability, has the ability to manage all such activities, the desired result can be anticipated.

There are three ways to measure the managerial efficiency.

a. Heredity skill
b. Skill acquired through training.
c. Skill acquired in course of work.

Social Feasibility

A project may cross all the above barriers mentioned above and found very suitable but it will lose its entire creditability, if it has no social acceptance. Though the social customs, conventions such as caste community, regional influence etc. are creating hindrance for development of a project should avoid all such social conflicts which will stand on the successful implementation of the project.

(e.g) Considering the interests of the general public; projects which offer large employment potential, which channelise the income from less developed areas will stimulate small industries.

In a nut shell, the feasibility report should highlight on these five testing stones before it can be declared as complete and only after judging through these indicators a project can be declared as viable and can be submitted for finance or any other assistance from any institutions.

Format of Feasibility Report

The sketch of feasibility report of project is given below:

1. Introduction
2. Summary and Recommendations
3. Product- Capacity, Chemistry of the product, specifications, properties, application and uses.
4. Market potential
5. Process and know-how
6. Plant and machinery
7. Location of the unit
8. Plot plan and building
9. Raw materials availability
10. Utilities, requirements
11. Effluents treatment
12. Personnel requirement
13. Capital cost
14. Working capital
15. Mode of finance
16. Manufacturing cost
17. Financial analysis
18. Implementation schedule

Check List for Feasibility Report

The following key elements must be presented in the feasibility report.

1. Examination of public policy with respect to the industry project
2. Broad specification of outputs and alternative techniques of production.
3. Listing and description of alternative locations
4. Preliminary estimates of sales revenue, capital costs and operating costs of different alternatives.

5. Preliminary analysis of profitability for different alternatives.
6. Marketing analysis
7. Specification of product pattern and product price
8. Raw material investigation and specification of sources of raw material supply.
9. Estimation of material energy, flow balance and input prices.
10. Listing of major equipment by type, size and cost.
11. Listing of auxiliary equipment by type, size and cost.
12. Specification of sources of supply for equipment and process know-how.
13. Specification of site and completion of necessary investigation.
14. Listing of buildings, structures and yard facilities by type size and cost.
15. Specification of supply sources connection costs and other costs for transportation services, water supply and power
16. Preparation of layout.
17. Specification of skill-wise labour requirements and labour costs.
18. Estimation of working capital requirements
19. Phasing of activities, and expenditure during construction
20. Analysis of profitability
21. Determination of measures of combating environmental problems
22. State the preparedness to implement the project rapidly.

Conclusion

Thus the process of project formulation involves a stage by stage development of the project idea into an investment proposition. The conclusion drawn at the end of each stage form the basis of development of the ensuing stage. These conclusions also provide necessary materials for re-checking of the initial premises from which a beginning was made. There must be forward and backward look at the completion of every stage. So, the project formulation team has to be ready to revise its opinions and conclusions in the light of further evidence.

It also narrates the very purpose of a feasibility report in a lucid manner, covering components of feasibility reports, principal features of project feasibility study and also checklist for feasibility study. It helps in defining and analysing the alternative approaches to production processes and outcomes. It focuses attention on the material inputs and various other techno-economic variables. It describes the optimisation process, justifies the assumptions and hypothesis set thereby selecting the better alternative solutions and defines the clear boundaries of a project viability.

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Lesson 3.3 - Project Report

Learning Objectives

This lesson aims to impart understanding about

- The need for preparing a project report.
- The content of an ideal project report.

Introduction

A project at the outset must bear a logical appearance, which it can get only after the feasibility test. Project report is a document, which clearly narrates the various aspects of project in a prescribed form. Project report preparation is a post investment decision exercise.

It involves the preparation of detailed specifications and designs for the project premises, detailed design of the process or other equipment and time schedules for the implementation of the project. Hence, the detailed project report is the work plan for the implementation of a project once an investment decision is arrived at.

A project report is meant to provide the necessary information, which may be required for the purpose of processing and assessing the proposal for getting the financial assistance from the financial institutions.

This is essentially prepared in order to provide a complete information with proximate values of the project and presented to the financial institution for appraisal. A project report prepared with utmost care would not only give a clear idea to the banker but also it relives the entrepreneur from the normal objections and formal queries of the banker.

In a developing economy like India, where the development banking is vigorous, an entrepreneur gets a lot of published materials with data relating to various feasibilities and promotional institutions engaged in

entrepreneurship development produce good literature covering various aspects of producing a project or products in the country. The Director General of Technical Development (DGTD), National Small Industries Corporations (NSIC) are some of the pioneer institutions providing variety of information for small scale entrepreneurs to manufacture. They give guidelines for industries indicating those items, in which good scope exists for manufacturing.

With these available informations, an entrepreneur has to do the following for starting an industrial unit:

- To decide the type and level of industrial production
- To compare the requirements of funds with his personal availability of finance.
- To prepare a nice project report containing all relevant information

Many of the institutions like SISI, State Financial Institutions also help in preparation of project report and later on recommend them to the banks. Besides these institutions, several commercial banks help the entrepreneurs to get a good project report.

Components of Project Report

The following are the important headings under which the complete information on relevant aspects should be included for a small scale industry's project report.

- General information
- Rationale
- Project description
- Market potential
- Capital expenditure and sources of finance
- Assessment of working capital requirements
- Other financial factors
- Government and other statutory approvals
- Economic and social variables

1. General Information

The following aspects should be given in the stage, which are of general Nature

- Name and address of the entrepreneur
- The qualifications, experience and other capabilities of the entrepreneur. If it is a partnership firm, these informations of other members should also be given.
- A small reference of analysis of industry to which the project belongs e.g. past performance, present status, the way of organisation, the problems etc.
- The organisational structure of the enterprise
- The utility of the product and the range of products to be manufactured

2. Rationale

As mentioned earlier a project may have several objectives subsidiary to the prime objective of making profit. As a first step in project evaluation, it is essential that one looks at the broad rationale of the project proposal to ensure that the project is appropriate and justified. As an example, one could say that modernisation or pollution control may be fully justified on grounds of survival and environmental protection even if, in the short-term, the project expenditure may adversely affect the financial criteria of project evaluation. On the other hand, a project which would improve the earnings per share or the debt service cover or the production efficiency may not necessarily be justified if all this is to be achieved at the expense of national interest or public interest.

3. Project Description

A brief description of the project covering the following aspects should be given in the project report.

SITE: Location (Town, Complete address) whether owned or leasehold land, whether the site is approved industrial area? Is it suitable for the product under review.

4. Input Factors

Raw materials: What are the sources of raw materials? Are they locally available? Whether imported raw material is also required? If so, whether license has been obtained? Is it suitable to get quality raw materials continuously at reasonable prices?

The availability, quality critically and quality compatibility of the raw material with the technology as well as the plant and machinery are important factors to be clearly understood while evaluating a project especially those in hi-tech area.

This element is also intimately linked to many other elements in a project and can force necessary changes in them to ensure the viability of the project.

As a simple example, one can easily surmise that a raw material with a high volume to weight ratio will indicate the plant is located near the source of raw material. e.g. Cement, power (coal based).

On the other hand, if the value added in such a case is very high, then it may be possible or even necessary to locate the plant away from the source of raw materials. Textiles, power (gas based of oil based), processed foods like snack foods, ice creams are some the pertinent examples.

The characteristics of the raw materials are multivariate and not just on the volume weight ratio. It is imperative therefore that this element gets a careful consideration while assessing a project. The market, the management, and the utility needs of the projects also influence the locational decisions.

Labour: What is the type of labour required? Whether skilled or unskilled? Are they available in that area? If not, what arrangement have been made to recruit and train the labour in various skills?

Power: Inadequate supply and high cost of electricity is a major problem now-a-days. So, the project report should contain the information regarding the power requirements, the load sanctioned, stability of supply of power and the price at different consumption level.

Fuel & water: Whether the fuel systems like coal, coke, oil or gas are required and if yes, then state their availability position. Similarly water is an important factor. The source and the quality of water should be clearly stated.

Waste discharge: Most of the plants produce waste material or emissions that may result in many health problems to the public. The emissions and discharge may be various types like (a) gaseous (smoke, fumes, dust etc.) by physical (noise, hear, vibration etc.) or (c) liquid or solid discharged through pumps and sewers. Hence, it should be clearly stated that the arrangements made from these things.

Communication and Transport Facilities

Availability of communication facilities like telephone, telex and post and telegraph department, should be stated in the report. Similarly, transport is a basic necessity for industries. Raw materials as well as finished products has to reach destination only through a good transport systems available. So, the various transport facilities available in that should be clearly stated. Similarly availability of facilities like machine shops, welding shops and electrical repair shops etc., should also be stated.

List of Machinery & Equipments

A complete list of items of machinery and other equipments indicating their type, size and cost should be stated. Source of supply of capital equipment and the construction services should also be given.

The source of plant and machinery as also the specification for the same can often make or break a project. It is, therefore, equally important to evaluate the plant and machinery which is to be installed at the project. The reputation of the supplier and references to place where such/similar plant and machinery are installed is a good starting point while assessing this element.

Capacity & Technology

The installed and licensed should be stated and the number of shifts likely to follow should be stated. Similarly, Is the technology upto date and

appropriate? Which other units are using the same technology and with what results? How the required know-how is proposed to be arranged?

The level of technology in terms of its "state of art" or obsolescence, adaptability to the local conditions, maintenance and repairability, sophistication in management and control are elements which have a significant impact on the quality and quantity of production that is envisaged in the project. It is thus necessary to have a clear understanding about the technology which is to be utilised in the project.

It is pertinent to note that there are no hard and fast rules but "appropriateness" and "relevance" are the two key operative words while assessing a technology proposed for the project. It is ridiculous to propose a highly sophisticated, push button control technology in a place where electricity supply follows its own rules or where a simpler technology is better understood and more manageable. Equally, it would be disastrous to recommend an obsolete technology on account of its durability or time tested proof of performance when everyone else is fast discarding it.

This technology elements is linked to every other element in the project proposal and these linkages also need to be looked into as an essential step in assessing the technology. One of the technologies available may necessitate creation of large capacity not necessarily advisable given the current raw material supply or the market size for the product.

For example, a capacity of 100 tpa for manufacture of peer starting from pulp or even hard wood or bamboo could be considered an or even the "minimum economic" size leading to acceptance of a particular technology which gives maximum efficiency at 10 tpa. But if raw material proposed is "agricultural waste" a whole lot of new considerations starting from collection and storage or raw materials come into play necessitating appropriate changes in the plant size and even perhaps the technology. Similar situations can arise in linkages of technology to management, availability of utilities, and cost of the project.

Quality Control

What is the system arranged for to check the quality of products on continuous basis? The quality marks like ISI, Agmark will enhance the

values of the product as well as confidence among the consumers. If it is desired to get quality markings, the fact should be included in the project report.

5. Market Potential

Estimation of Demand & Supply

Facts regarding the anticipated demand for product and the level of supply, should be clearly stated. An estimate of manufacturing and administrative expenses together with the price expected along with the margin of profit should be stated.

Marketing strategy: What is the strategy adopted for marketing the product should be stated. Whether the products are to be supplied to the reputed sellers directly or distributors? Is there any possibility of getting a contract from the reputed concerns should also be stated in this project report. Similarly whether after sales service has been arranged and how to fill the gap of demand if there is fluctuations in the sales seasonal demand arrangements made for warehousing the products.

6. Capital Expenditure and Sources of Finance

Cost of the project: Since each project is profit motivate it is important that cost of the project is carefully assessed and evaluated. One of the most important factors in this assessment is the level of accuracy in the cost estimates, which in addition to proper data collection also depends upon the approach and the attitude of the evaluator himself. Some evaluators tend to see all cost estimates as "too high" leading to unnecessary under estimation of the project cost and consequent problems in project implementation and even project viability. On the other hand some evaluators tend to provide "cushions" at all levels of cost estimates which may erode the viability of the project on paper leading to a wrong decision on the issue of project selection and implementation.

An estimate regarding this various capital inputs required by the industry should be given. Those capital items include the following:

1. Land & Building
2. Plant and machinery

3. Preliminary expenses
4. Miscellaneous assets
5. Price escalation
6. Working capital limit

Means of financing: Having established the cost of a project as justified and reasonable, it is necessary to evolve the means of financing the project. It should be acceptable within the framework of the financial system and sufficiently attractive/or safe enough for the investor lender to come forward and extend the necessary assistance.

During the last decade, financial scenario in India has undergone substantive, qualitative as well as quantitative change almost amounting to a metamorphosis. As a result the project prosperity has a fairly wide range of means of finance available to him to choose from. Instead of a standard debt-equity ratio of 2:1, the promoter taking up 50% to 75% of the equity, the balance being offered to the public and the financial institutions and banks picking up the tap for the debt component.

The promoter can now think of a variety of instruments like equity cumulative convertible preference shares fully or partly or non-convertible debentures, as means of financing and also many other sources of funds like mutual finds, venture finance and lease finance. A clear understanding of the various elements and the various institutions operating in the financial system would help to assess the appropriateness of the means of finance. The cost of raising and servicing funds, and other terms and conditions accompanying funds, as all these have a direct impact on the viability of the project. At this juncture, it is worthwhile nothing that the project evaluation should also pay due attention to the ethics of fund raising especially if the means of finance involves premium carrying instruments.

7. Assessment of Working Capital Requirements

Many industries fail due to improper estimate of working capital requirements. It is very crucial to an entrepreneur. The unit could function only if the working capital limit is maintained properly. So, the working capital requirements should be very carefully calculated and stated in the project report.

8. Other Financial Aspects

It should be found out that the product taken up for production is profitable. For this, profit & Loss A/c an estimated one should be prepared, which shows sales revenue, cost of production and other costs and profit. Similarly a projected balance sheet and cash flow statement should be prepared to indicate financial position and financial requirements.

There should be always availability of funds for the smooth functioning of the unit. Next the break-even analysis must be given break-even point is that level of production sales where the industrial enterprise shall make no profit no loss. This break even analysis facilitates knowing the gestation period and the likely moratorium required for repayment of loan.

The return from a project is a very essence of evaluating a project especially as the prime motive for setting up a project is its profitability. The project return is to be assessed in terms of cost of production realisable selling price, financial charges, depreciation taxes and host of other financial and non-financial variables.

9. Government and Other Statutory Approvals

The project is not put up in a vacuum but in the real world which is subject not only to procedural requirements but also to policy guidelines and stipulations. These requirements, guidelines and stipulation could begin with the very permission to establish a project and go across various economic statutes of a country governing several aspects of a project. The project evaluation must take all these into account, not merely as an element of feasibility or otherwise of setting up the project but as part of the plan extending over the economic life of the project.

10. Economic and Social Variables

Among other things, what will be the abatement costs to control pollution and treating for the effluents and emissions, should be stated. Added to this, whether the project derives home some social benefits like the following:

- It promotes an increases the employment potential in that area
- It promotes an encourages smaller units (tiny sector) to grow
- It effects overall development of that area

Economic and National Significance of the Project

Many projects have an economic and/or a national significance especially if they are in the area of hi-tech, import substitution, export orientation, defence and/or involve substantive outflow of foreign currency either for technology know-how or for raw materials. It is necessary to evaluate the economic and the national significance of a project is to be made acceptable in the prevalent economic scenario.

Social and Environmental Consideration

While setting up a project, issues not necessarily connected with the financial profitability of the project but to the environment and society as a whole have become important in more than one case. These issues relate to environmental pollution and safety as also different segments of the society coming in contact with the activities of the project.

Two models of project report are given at the end of this lesson.

Project Report Vs. Feasibility Report

The detailed project report differs from feasibility report in the following manner:

Objective: Feasibility report's aim is to serve the top management in arriving at feasible and viable project alternatives. Detailed Project Report's focus is to communicate formally about the project sponsor's decision on a specific project to the government departments and financial institutions for seeking their approvals and funding.

Scope of information Management: The interests of the management can be met by collecting relevant information in vital areas of technical, economic, commercial and environmental areas at the onset. However, about 70-80% information may be collected and analysed in feasibility studies based on which certain reliable forecasts are made and decisions are taken by the management.

Time span: These studies are subjected to an exploratory type of research and hence consume a span of 6 to 15 months. A lot of care and diligence is inevitable on the part of the estimator while preparing the official document and hence may consume time within the range of 1 year to 2 years after the decision is taken by the top management.

Costs involved: The cost of feasibility studies varies on the type of project. As an average for any project the costs may range approximately between 1.5-3% of the project costs. The cost of preparing a detailed project report is little higher than that of feasibility studies. The total costs may range between 5%-7.5% of the expected investment.

Reliability: These studies are reliable for a short period of time (till the decisions are made about a project). In the long run they serve only as a data bank as the information stinks. The detailed reports help in guiding the entire project and even if any variation is there in the project data it can be compared and observed. However, this acts as a major signpost for all practical purposes in the project development and for future reference. Depth of analysis: The depth and magnitude of the feasibility studies are obviously reflected through costs and time consumed in conducting studies. The level of information furnished in these reports is clear, yet some secondary issues are perfunctorily managed. The depth and magnitude is perfectly maintained by furnishing intricate details of the project. The report is prepared with diligence taking all precautions to avoid ambiguity and mystery concerning issues of the project.

Summary

Thus, Project report is a precise formal document of commitment prepared and presented by sponsors of a project. On the basis of this report, the Project Investment Board and Cabinet Committee on economic affairs of the concerned Ministry Proffer their exoneration of the project proposals. The preparation of detailed project report is the preliminary phase of a project life cycle. The preparation of project report starts only after the investment decision is made on the basis of the technical, economic and financial feasibility studies, so that expensive efforts involved in the preparation of report are not wasted. To prepare the project report from a techno-economic feasibility study, we have to

- Break-down all project components, time phase and schedule them minutely and prepare accurate cost estimates, furnishing with necessary and relevant assumptions and calculations.
- Develop baselines for controlling time and costs that help the implementation of the project.
- Resources to implement the project.

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Lesson 3.4 - Project Appraisal – Market, Technical, Financial, Commercial, Managerial and Social Aspects

Learning Objectives

This lesson will give an insight to the learners on the following:

- The nature and significance of project appraisal.
- The general information required for project appraisal.
- The process of project appraisal followed by the financial institutions.

Introduction

The exercise of project appraisal simply means the assessment of a project in terms of its economic, social and financial viability. This exercise basically aimed at determining the viability of a project and sometimes also in reshaping the project so as to upgrade its viability i.e. it aims at sizing up the quality of projects and their long-term profitability.

Appraisal of term loan proposals (projects) is an important exercise for the financial institutions and investing companies in credit decisions. The art of project appraisal puts more emphasis on the economic and technical soundness of the project and it earning potential than on the adequacy and liquidity of the security offered. Hence, the process of appraisal should require more dynamic approach as it is linked with a sense of uncertainty.

Appraisal Process

Project appraisal is a scientific tool. It follows specific pattern. This process usually involves six areas of appraisal such as market appraisal, technical appraisal, financial appraisal, profitability appraisal, managerial, and social appraisal.

Market and Demand Appraisal

Appraisal of commercial viability means assessment of marketability of the end-product. Therefore, at the time of assessment of commercial viability, the following points require careful consideration.

- Size and prospective growth of the market which the unit is required to cater like nature of population, their purchasing power, their educational background, fashion etc.
- Demand and supply position of the product in the national and international market
- Nature of competition
- Pricing policy including prospective prices vis-a-vis the quality of the product
- Marketing strategy and selling arrangements made by the unit adequacy of sales fore:
- Export potential
- If the product is an important-substitute, the position regarding existing imports in the country along with the C.I.F value of the imported goods, vis-a-vis cost of product of the unit.

Technical Appraisal

A project is considered to be technically feasible, if it is found to be 'sound' from technical and engineering point of view. It is an attempt to find out how well the technical requirements of the unit can be met, which location would be most suitable and what the size of plant and machinery should be.

Objectives of Technological Appraisal

The fundamental objective of appraising a project from the technology point of view is to justify the present choice and provide an insight into future technological developments. Other objectives are:

- To justify the goal compatibility of a project with the preferred technology;

- To seek a better available alternative technology which is both cost effective and efficiently manageable;
- To seek such a technology that can go with existing skill levels of team members or requires little orientation and training programmes;
- To seek a better technology that is not detrimental to the overall environment.

The technology that is used in projects can be classified on the basis of:

- Purpose for which it is applied;
- Level at which it is used;
- Nature of skills applied while using the technology. On the basis of purpose, the technology can be:
- Manufacturing technology which is generally used in manufacturing industries like textiles industries like textile industries, steel industries, etc.,
- Extraction technology which is used in extraction of basic raw materials such as oils, petroleum products, coal and pig iron, etc.,
- Conversion technology which is used in process industries like cement, sugar, etc.

Pre-fabricated technology which is used in construction industries like roads, bridges, and buildings, sheds etc., On the basis of the level at which technology is used the classification is as follows:

Core technology which is a base for any industrial activity like basic plant and machinery that is erected. For example, Lakshmi Machine works textile machine installed in a textile firm.

Engineering and design technology which supports the core technology by providing basic layouts and helps in erecting the plant at the required site. Considering the above example, the machine has to be linked with essential spindless and spools through which the yarn is supplied to the machine on which the yarn will be warped and weft.

Intermediate technology which supports both core technology and engineering and design program with sufficient intermediaries such as

heavy machine tools and devices to mobilize input and output and output of firm and continue to operate the machinery.

Component technology which is labelled as supplied or consumable for the core, engineering and even intermediate technology. For example, spare parts of a machine, screws lubricating oil, belts, electrical connections and other engineering fittings, etc.,

Appraisal of Managerial Competence

This is the most difficult job to evaluate the " MAN or MEN" behind the project. It has been the practical experience of the bank/ financial institutions that even the most technically feasible and financially/commercially viable project has been a total failure because of lack of management experience. The problem may become all the more serious if the management is dishonest/delinquent rather than inefficient and ineffective. Unfortunately, there is no scientific yardstick by which managerial competence can be judged objectively. For an established group of industrialists floating a new company unit, the banker can have at least, an idea of the background of the promoters. Much also depends whether the existing promoters belong to the 'Blue Chip' group or not. But, in case of a new promoter floating a new project, the problem of judging managerial competence induces some kind of subjectivity in the decision of the banks/financial institutions. In appraisal parlance, such evaluation is known as 'Principle of three Cs' i.e. Character, Capacity and Credit worthiness. The following table will show some principles of credit evaluation in terms of Cs of credit.

Financial Appraisal

The basic purpose of financial appraisal is to assess whether the unit will generate sufficient surplus so as to meet the outside obligations. Financial appraisal usually examines two aspects of finance:

The cost of the project i.e., the amount required to complete the project and bring it to normal operation

The means of financing the cost i.e. the sources from which the required funds are to be raised.

After computing the cost of the project and means of finance, the various factors required for assessment of financial viability which a banker should carefully examine, are as under:

Reasonableness of Cost of Project

The project cost should be reasonable: However, assessing reasonableness of the project cost is a very difficult and delicate task. Here, generally, the technique of inter-firm comparison is used which compares the project cost estimates with the cost of comparable units in the same industry.

Debt-Equity ratio: This is a very important consideration as there should not be mismatch between the external debt (long-term) and the equity of the enterprise.

Long Term Debt

Sensitivity Study: This is carried out to see that the unit would be able to serve its debts & give reasonable return under less optimistic conditions. For determining, profitability of the project generally projections are obtained over the entire repayment period (say 7 to 10 years) in the following functional areas:

- Cost of Production
- Profitability
- Cash flow
- Debt service coverage ratio
- Break even point

The appraiser should satisfy himself about the reasonableness of the basic assumption on which the above projections are made The important assumptions generally looked into are:

- Capacity build up
- Cost of raw materials
- Estimates of salaries & wages
- Estimates of administrative expenses

- Expected selling price
- Provisions made for depreciation
- Provisions for various taxation liabilities

The assumptions should be reasonable and realistic. In case, the assumption are not pragmatic, the same can be got changed by the bank and fresh figures can be compiled. But the basic consideration the banker should have it that the cash generation position of the unit should be quite comfortable throughout the repayment period. An ideal debt service coverage aimed at is 2:1.

A model problem for ascertaining cash flow projection and the financial viability of the project are given below:

Illustration

Sai enterprises is interested in assessing the cash flows associated with replacement of an old machine by a new machine. The old machine has a book value of ₹ 90,000 and it can be sold for ₹ 90,000. It has a remaining life of 5 years after which the salvage value is expected to be nil. It is being depreciated annually at the rate of 10% using written down value method. The new machine costs ₹ 4 lakhs. It is expected to fetch ₹ 2.5 lakhs after 5 years when it will no longer be required. It will also be depreciated annually @ 10% using W.d.v method. The new machine is expected to save ₹ 1 lakh in manufacturing costs. Investment in working capital would remain unaffected. The tax rate applicable to the firm is 50%.

You as a project analyst are required to work out the incremental cash flows associated with the replacement of old machine and prepare a statement to be presented to the management for consideration.

Answer

The above case refers to a replacement project. In such cases, one must take the following points into consideration:

- comparison of new machine with the old machine from the overall cash flows point of view;

- comparison of net impact of the 'replacement' or 'retaining the old machine' over the cash flows;
- financing mix used for the replacement and its impact on the interest rates to observe the effect on the profit after interest and tax.

At least two of the above factors should be applied here to analyse the position and present the analysis for managerial consideration. The following cash flow statement will help present the situation better.

Cash flows for the Replacement of machinery of Sai Enterprises
(Rs in crores)

Years	0	1	2	3	4	5
1. Net Investment in the machine	(3.10)					
2. Savings in manufacturing costs		1	1	1	1	1
3. Depreciation on the old machine		0.09	0.081	0.0729	0.0656	0.0590
4. Depreciation on the new machine		0.4	0.36	0.324	0.2916	0.2624
5. Incremental Depreciation		0.31	0.279	0.2511	0.2259	0.2033
6. Incremental taxable profit		0.69	0.721	0.7489	0.7740	0.7966
7. Incremental tax		0.345	0.3605	0.3744	0.3870	0.3983
8. Incremental profit after tax		0.345	0.3605	0.3744	0.3870	0.3983
9. Net incremental salvage value					2.50	

Years	0	1	2	3	4	5
(a) Initial investment (1)	(3.10)					
(b) Operating cash flows (5+8)		0.655	0.6395	0.6255	0.6129	0.6061
(c) Terminal cash flows (a+b+c)	(3.10)	0.655	0.6395	0.6255	0.6129	3.1061

Working Notes:

1. Net investment (₹ 4 lakhs less ₹ 90,000) = ₹ 3.1 lakhs
2. Savings of the new machine are given in the problem, i.e. 1 lakh
3. Incremental depreciation is derived by considering depreciation of the new machine less depreciation of the old machine.
4. Operating cash flows = Incremental depreciation + Incremental profit after tax.

Profitability Analysis

The financial projection such as profitability estimates, cashflow estimates and projected balance sheets are the basis for assessing the viability of the project. Therefore, verification of profitability estimates is highly important for the proper appraisal of a term loan proposal.

The profitability estimate should always accompany the assumptions based on which the profitability estimates have been prepared.

Ratio Analysis

Many important parameters such as sales, operating profit, net profit, equity, debt, current assets. Current liabilities, etc. do not give much information if figure is studied in isolation. If a ratio is calculated between related items, the ratio indicates the relationship between two or more than two variable, thus giving meaningful information for taking decision. Some of the ratio useful for banks are discussed below.

A. Loan Safety Ratio

This indicates the relationship between term liabilities and owned funds and helps in assessing the capital gearing. The debt shall include long term loans, debentures, deferred payment preference shares due for redemption between 1 to 3 years. The equity includes ordinary share capital, preference share capital due for redemption after 3 years, investment subsidy, unsecured loans subordinated to the term loan, internal accruals, non refundable deposits in the case of cooperatives.

B. Current Ratio

(Current assets to current liabilities)

The ratio indicates the liquidity position of the company. Current assets should be more than current liabilities. The acceptable ratio should be between 1.5 to 2.1. The ratio beyond 2.1 will indicate that either the inventories are stocked unnecessarily or the products produced are not sold. The current ratio will indicate the necessity for proper inventory control.

C. Debt Service Coverage Ratio(dscr)

The ratio indicates the capacity of the unit to repay the term loan liabilities and interest thereon. It is important ratio for lending institution as the repayment period has to be suitably fixed based on this ratio. This ratio indicates the cash generation the term liabilities to be paid out of this and balance left for the company's use. Repayment of term loan without generating sufficient cash will lead to reduction in working in the working capital, tight liquidity position and further deterioration in the working of the unit. The acceptable ratio should not be less than 1.5: 1 which indicates that 1.5 times cash is generated to pay the term, loan liabilities of one time. The formula calculation of the DSCR is given below.

$$\text{DSCR} = \frac{\text{Net profit + Depreciation + Interest on term Loan liabilities}}{\text{Payment of term loans + interest on loans}}$$

The DSCR should be calculated for each year of operation and also for the entire repayment period as an advance.

D. Margin of Security

The term loans are generally sanctioned against the security of fixed assets. The excess of fixed assets over the term loans provides margin for the term loans.

$$\text{Margin of security} = \frac{\text{Value of fixed assets} - \text{term loans}}{\text{Value of fixed assets}} \times 100$$

Productivity Ratio are:

1. Capital employed to Value of output sales
2. Capital employed to Net value added
3. Investment per worker
4. Productivity per worker

Profitability Ratio are:

a. percentage of raw material to value of output
b. percentage of wages and salaries to value of output
c. Percentage of interest to value of output
d. Percentage of operating profit to sales
e. Percentage of profit after tax equity

A list showing the method of calculation of above ratios and their usefulness is given separately.

Break Even Point (Bep)

The manufacturing cost consists of two costs viz. fixed costs and variable costs. Certain type costs viz. depreciation, interest on term loan, repair and maintenance, rent and insurance, wages and salaries, administrative expenses etc. has to be incurred by the unit irrespective of the level of operation. This cost will not change with the level of operation and they are called fixed costs. All the other costs viz. cost of raw material

consumables, power, water, stores, packing charges, selling expenses etc. which vary with the level of operation is called variable cost. The BEP is the level at which the unit should operate to meet the fixed costs. It is level of operation, where there is no profit or loss for the unit. The BEP is calculated using the following formula

$$\text{BEP} = \frac{\text{Fixed cost}}{\text{Sales-variable cost}} \times \frac{\text{Fixed cost}}{\text{Contribution}}$$

$$\text{\% BEP in terms of installed capacity} = \frac{\text{Fixed cost}}{\text{Contribution}} \times \frac{\text{Max. capacity utilisation}}{100} \times 100$$

The appraising officer should follow uniform policy to divide the total cost into fixed cost and variable cost as certain cost neither remain fixed nor changed in the same proportion in which the level of production changes.

Discounted Cash Flow Techniques

A project should earn sufficient return which should be at least equal to the cost of capital invested in it. The following evaluation techniques helps to identify the best investment proposal amongst the available.

- Pay back method
- Average Rate of Return Method
- Net present value method
- Internal rate of return

a) Pay Back Method

The period required for recovering the entire investment made the project is calculated. The shorter is the period better return. The cash flow (operating profit + depreciation + other non cash write off-tax) is accumulated year by year until it equals the original investment. However, this method ignores the cash inflow received after crossing the pay back period. This method is best suited where the emphasis is on avoidance of long term risk.

b) Average Rate of Return

Unlike the pay back period method, the entire life of the project is taken into account. The average annual net operating profit (after depreciation) for the entire life of the project is calculated and the rate of return of original investment in an year is calculated by taking the average of opening and closing book values of the investment in the year. The grand average of such average investment of all years is obtained to know the average investment of the project gives the average rate of return. This method does not give any importance to the time value of the money and also the life differential of the projects.

c) Net Present Value Method (NPV)

Pay back method and average rate of return method does not give importance to the time value of money. The money invested today will not be equal to the money received in the future. Therefore, the time value of the money also should be taken into account while determining the return for the present investment.

Under this method, the future cashflow of all the years during the expected life of the project are discounted at a predetermined cut-off rate and the net present value is obtained. The cut-off rate should be either equal to or more than the cost of the funds. The present investment is an outflow of funds and hence treated as having minus value. If the difference between the present investment and the net present value of cash inflow is positive than it indicates that the profit is greater than the cost of the capital.

d) Internal Rate of Return (IRR)

NPV method indicates, the net present value of the future cash flows at a predetermined discount rate and the project is accepted for investment if the return of a project, the net cashflow in each year are discounted at various discounting rates till the sum of net present value of cashflow equal the cash outflow. Such a rate of discount which would equate the present value of investments to the present value of future benefits over the life of the projects.

Problem 1

NMH Industries is considering proposal involving procurement of a special machine to produce a new product. The technical team furnished two alternative machines whose investment costs are ₹ 50,000 each and life span is 4 years. After the expire of its useful life, the vendors guaranteed to buy back at ₹ 5,000 each. The management of the company uses certainly equivalent approach to evaluate risky investments. The company's risk adjusted discount rate is 16% and the risk-free rate is 10%. The expected values of net cash flows (CFAT) with their respective certainly equivalents are as follows:

Year	Machine A		Machine B	
	CFAT ₹	CE	CFAT ₹	CE
1	30,000	0.8	18,000	0.9
2	30,000	0.7	36,000	0.8
3	30,000	0.6	24,000	0.7
4	30,000	0.5	32,000	0.4

Which machine should be purchased, out of the above, by the company?

Answer

NPV Under Certainly Equivalent Approach:

	Machine A				Machine B				
Year	PV	ECFAT	CE	ACFAT	PV	ECFAT	CE	ACFAT	PV
	factor at 10%				amount				amount
0	1.000	-50,000	1	-50,000	-50,000	-50,000	1	-50,000	-50,000
1	0.909	30,000	0.8	24,000	21,716	18,000	0.9	16,200	14,725.80
2	0.826	30,000	0.7	21,000	1,7346	36,000	0.8	28,800	23,788.80
3	0.751	30,000	0.6	18,000	1,3518	24,000	0.7	16,800	12,616.80

	Machine A				Machine B				
Year	**PV**	**ECFAT**	**CE**	**ACFAT**	**PV**	**ECFAT**	**CE**	**ACFAT**	**PV**
	factor at 10%				**amount**				**amount**
4 (i)	0.683	30,000	0.5	16,000	1,0245	32,000	0.4	12,800	8,742.40
(ii)	0.683	5,000	1	5,000	3,415	5,000	1	5,000	3,415.00
				NPV	16,240			NPV	13,288.80

The above analysis clears the fog surrounding investment possibilities.

Machine A is resulting in higher NPV compared to Machine B. Therefore, machine A should be purchased having the highest NPV at risk free rate.

Problem 2

Sastha Ltd is considering a project with the following cash flows.

Year	0	1	2
Purchase of Plant	(₹ 7,000)		
Running Costs		₹ 2s,000	₹ 2,500
Savings		₹ 6,000	₹ 7000

The costs of capital is 8%. Measure the sensitivity of the project to changes in the levels of plant value, running costs and savings (considering each factor at a time) so that NPV becomes zero. Which factor is most sensitive to affect the acceptability of the project.

The PV factors at 8% discount rate are:

0 1.000

1 0.926

2 0.857

Answer

The Net present value of Cashflows:

Year	PV factor (8%)	Plant Cost	Running Cost	Saving	NCF
0	1.000	(7,000)	-	-	(7,000)
1	0.926	-	(2,000 x 0.926) 1,852	(6,000 x 0.926) 5,556	3,704
2	0.857	-	(2,500 x 0.857) 2,142.5	(7,000 x 0.857) 5,999	3,856.5
		(7,000)	(3,994.5)	11,555	Nov = 560.5

The project a may be accepted as it is having a positive NPV of ₹ 560.5.

The sensitivity of project towards various costs can be performed as under.

Sensitivity Analysis

(1) Plant costs may need to be increased by a PV of 560.
i.e. 560.5
7,000 x 5 = 8.007% or by 8%

(2) Running Costs may need to increased by
i.e. 560.5
3,994.5 x 100 = 14.03% or by 14%

(3) Savings may be reduced by
i.e. 560.5
11,555 x 100 = 4.85%

According to this analysis, it is clear that savings having a lowest sensitivity ratio gets affected most while accepting the project.

Social Cost Benefit Analysis (SCBA)

It is a methodology for evaluating investment projects from social point of view.

SCBA seeks to assess the utility of a project to society as a whole. It attempts to separate all the expected changes viz. economic, social and environmental likely to arise as a result of implementing the project. These can be represented as inputs and outputs of a project and a price can be put to each of these input an output. Since both inputs and outputs are spread over a number of years, it is necessary to combine the costs and benefits stream that arise over the economic life of the project.

ORIGIN: Methodological guidelines of SCBA have been developed by international agencies like OECD AND UNIDO. India, Planning commission issued in 1975 guidelines for the preparation of feasibility reports for industrial reports.

Socio-Economic Appraisal

Social cost benefit analysis (SCBA) is a perfect necropsy where the identification and determinatio of the best among project alternatives is made with reference to a country's economic and social prerogatives. It is a systematic procedure for comprehensive review of all the costs, benefits, and effects of a project. Such appraisal is performed for development and infrastructure projects usually by emphasizing the economic, technical, operational, institutional, and financial factors to ensure that the selected project meets all necessary requirements and is implementable.

SCBA focuses on the following objectives:

- to contribute effectively to GDP of an economy;
- to aid in economic development;
- to justify the utilisation of economy's scarce of growth;
- to maintain and protect environment from pollution;
- to educate new lines of functioning that are simple and cost effective;
- to benefit the rural poor and reduce regional imbalances;

- to justify the risks undertaken to implement and the sacrifices made in the process.

Therefore, it is important to identify the major economic, environmental, social and other factors a project may influence directly or indirectly.

Few notable contributions towards social-cost-benefit approach are:

- UNIDO — Guidelines for Project Evaluations released during early 70s
- M.D.Little, J.A.Mirrlees —Appraisal and Planning for Developing Countries

Limitations of SCBA

1. No standard method or technique applicable to all types of investment projects.
2. Quantification and measurement of social cost and benefits are formidable.
3. However these limitations can be rectified by removing subjectivity in it.

Summary

Thus the project has to be appraised to ensure that the project will generate sufficient return on the resources invested in it. The viability of the project depends on technical feasibility, marketability of the products at a profitable price, availability of financial resources in time and proper management of the unit. It should be also within the framework of national priorities bases on social cost benefit analysis.

In brief, a project should satisfy the tests of technical, commercial, financial and managerial feasibilities as given above.

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Lesson 3.5 - Ownership Structure

Choice of Organisation

Every entrepreneur has to be decide, the nature ownership of his organization which in turn helps to determine the risk, responsibility and control of the entrepreneur as well as the division of profits. The right form of organsiation can help the enterprise not only through initial success but in later growth too. There are four main forms of organization viz., Sole Trader, Partnership, Joint Stock Company and Co-operative Organisation. A brief description of these organsiation are given below.

Sole Properitorship

Sole Proprietorship is the simplest and oldest form of ownership organsiation. It is a business owned and controlled by one person. The individual may borrow money and employ assistants. But he/she alone is responsible for the results of the business. The individual who establishes it is known as sole proprietor or sole trader.

It is suitable in the following cases:

- Where small amount of capital is required
- Where quick decisions are very important.
- Where limited risks are involved
- Where personal attention to invidual tastes and fashions of customers is required.
- Where the demand is local, seasonal or temporary
- Where fashions changes quickly.
- Where the operation is simple and does not requires skilled management.

Thus, sole trader is a comman form of organization in retail trade, professional firms, hoursehold and personal services. This form of

organsiation is quite popular in our country. It accounts for the largest number of business establishments in India, despite its limitations.

Partnership

It is relationship between person who have agreedto share the profits of a business carried on by all or anyone of them actinag for all. It is an agreement among two or more or more persons to carry on jointly a lawful business and to share the profits arising therefrom. Persons who enter into such agreement are known individually as partners and collectively firm.

A Partnership firm can be formed through an agreement among two or more persons. The agreement may be oral or in writing. Such a written agreement among partners is known as Partnerhip Deed. It must e signed by all the partners and should be properly stamped. It can be altered with the mutual consent of all the partners.

Partnership firms may be registered or un registered. It can be registered with the Registrar of firms appointed by the Government. Registration is not compulsory but helps to get concessions or identity when comparing to unregistered firm.

The partnership form of business ownership enjoys the following advantages:

- Ease of formation
- Larger financial resources
- Flexibility of operations
- Specialisation and balanced approach
- Protection of minority interest.
- Personal incentive and supervision
- Capacity for survival
- Better human and public relations
- Business secrecy could be maintained.

This form of organisation has also certain shortcomings

- Unlimited libility
- Limited resources

- Risk of implied agency
- Lack of harmony
- Lack of continuity
- Public distrust
- Non-transferability of interest.

The foregoing limitations reveals that partnership form of organization is appropriate for medium-sized business that requires limited captical, pooling of skills and judgement and moderate risks. Small scale industries, whole sale and retail trade and small service concerns like transport agencies, real estate brokers, professional firms like chartered accountants, doctors etc.

Joint Stock Company

The company form of organization was evolved to overcome the limitations of sole trader and partnership of organsiation. Joint Stock Company has become the dominant form of ownership for large scale enterprises because it enables collection of vast financial and managerial resources with provision for limited liability and continuity of operations.

A Joint Stock Company is an incorporated and voluntary association of individuals with a distinctive name, pepectual succession, limited liability and common seal, and usually having a joint capital dividied into transferable shares of a fixed value. Thus, it is an artificial person created by law. It can act on its name and others also can act to it.

Private Company is a company of organsiation which by its articles of association restricts the rights of its members to transfer shares if any, limts the number of its members to 50 and prohibits any invitation to the public to subscribe share capital.

Public limited company is one which is not a private company. Ie. It can exercise all the three rights given above could not be exercised by the private company.

Private company combines the advantages of both partnership and public sector companies. At the same time, it is free from excessive government regulation and progressive income tax liability.

The company form of ownership is ideally suited to the following type of business:

- Heavy or basic industries like ship-building, coach manufacturing which requires huge capital.
- Large scale operations like departemental stores, chain stores etc.
- The line of business involves great uncertainity or heavy risk
- The law makes the company organsation obligatory eg. Banking, insurance etc.
- The owners of the business want to enjoy limited liability.

The choice of the form of ownership is dictated by several factors as given below:

- Nature of business - Service, trade, manufacturing
- Scale of operations – Volume of business
- Degree of direct control desired by owners.
- Amount of capital required.
- Degree of risk and liability and the willingness of owners to assume personal liability for debts of business.
- Division of profits among the owners.
- Length of life desired by the business.
- Relative freedom from government regulations.
- Scope and plan of internal organization.
- Tax liability factor
    - These factors are highly inter connected and intertwined. Therefore, an entrepreneur should not consider them in isolation.

Self Assessment Questions

1. What is SWOT analysis and how it can be done?
2. Explain the process of project identification.
3. What do you mean by project formulation? Explain the several aspects of project formulation.
4. "Formulation of projects involves scientific procedure"-elucidate.
5. What do you mean by feasibility study? Explain its significance in project formulation?
6. Explain the different components of feasibility study.
7. Suggest a suitable outline of feasibility report for setting up a small scale industry.
8. State the significance of Project report.
9. Prepare a project report for setting up a small scale unit of your own choice.
10. How does detailed project report differ from feasibility report? Give an outline of a detailed project report.
11. What do you mean by feasibility study? Explain its significance in project formulation?
12. Suggest a suitable outline of feasibility report for setting up a small scale industry.
13. How a technical feasibility of a project can be ascertained?
14. Analyse the significance of managerial competence and commercial viability of project in the feasibility study.
15. Describe the different stages in the project appraisal process.
16. Write "Significance of appraising the managerial competence from an industrial project and how it can be made?
17. Explain the different methods of profitability appraisal of a project.
18. What do you mean by SCBA? How it can be made?
19. What is technical appraisal? State the criteria for technical appraisal?
20. Discuss the preliminary consideration which an entrepreneur should keep in mind while selecting a form of business organization.

CASE STUDY

Assume you are to conduct a feasibility study on the prospects on setting up a hand made paper manufacturing unit in the sub urbs of your city.

Questions

(a) What factors you will consider to study the technical and economic feasibilities of the project?

(b) Give an outline of the 'feasibility report'.

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UNIT – IV

Unit Structure

Lesson 4.1 - Intrapreneurship

Lesson 4.2 - Growth of Enterprises

Lesson 4.1 - Intrapreneurship

Learning Objectives

This lesson aims to impart the understanding about the need for and process of developing intrapreneurship.

- To identify the reasons for the interest in intrapreneurship.
- To explain the organizational environment conductive for intrapreneurship.
- To discuss the differences between corporate and intrapreneurial cultures.
- To identify the general characteristics of an intrapreneur.
- To explain the process of establishing intrapreneurship in an organization.

Introduction

The term "intrapreneur" was coined in America in the late seventies. Several senior executives of big corporations in America left their jobs to start their own small businesses because the top bosses in these corporations were not receptive to innovative ideas. The executives turned entrepreneurs achieved phenomenal success in their new ventures. Some of them posed a threat to the corporations they left a few years ago. This type of entrepreneurs came to be known as intrapreneurs. Such

corporate brain drain is a world wide phenomenon and is not confined to the United States. Industrialists all over the world started devising ways and of stopping the flight of their brightest executives. In 1976 Norman Macras wrote in the London Economist that successful big corporations should become 'confederations of entrepreneurs'.

The idea was promising and the opportunities awaiting entrepreneurs inside large corporations could be tremendous provided in could be made workable. An American management expert, Gifford Pnchot III wrote his famous book. Intrapreneruing in 1985 and used the term 'intrapreneurs' to describe the persons who resigned from their well paid executive positions to launch their own ventures.

Gifford Pinchot-III suggested that well-established companies should learn to make use of the entrepreneurial talents within to avoid stagnation and decline. Entrepreneurs introduce new products, services and processes which enable the company to grow and succeed in a changing environment. What was, therefore, needed was a system and an organisation culture within a large organisation that would allow the executives to operate like entrepreneurs.

These persons are driven not by monetary gain but by a deep desire of personal achievement. Therefore, companies should provide such people with adequate financial resources and the autonomy necessary for the development and application of their ideas. Pinchot suggested the creation of a system which will provide selected executives a status within the corporation similar to that of an entrepreneur in society. Such people are 'intra-corporate entrepreneurs' or 'entrepreneurs'.

The notion of entrepreneurship requires that managers inside the company should be encouraged to be entrepreneurs within the firm rather than go outside. For an entrepreneur to survive in an organisation he-she needs to be sponsored and given adequate freedom to implement his ideas otherwise the entrepreneurial spark will die. The entrepreneur who starts his own business generally does so because he aspires to run his own show and does not like taking orders from others.

The interest in entrepreneurship shown by existing organizations has resulted from a variety of events occurring in the United State on social,

cultural and business levels. On a social level, there is an increasing interest in "doing your own thing" and doing it on one's own terms. Individuals who believe strongly in their own talents frequently desire to create something of their own. They want responsibility and have a strong drive for individual expression and more freedom in their present organizational structure. When this freedom is not forthcoming, frustration can develop that can lead to the individual becoming less productive or even leaving the organization to achieve self-actualization elsewhere.

This new search for meaning and the impatience involved, has recently caused more discontent in structured organizations than ever before. When meaning is not provided within the organization, individuals often search for an institution that will provide it. Intrapreneurship is one method for stimulating and then capitalizing on individuals in an organization who think that something can be done differently and better.

Corporate Versus Intrapreneurial Culture

Business and sociological conditions have given rise to a new era American business: the era of the entrepreneur. The positive media exposure and success of entrepreneurs is threatening to some established corporations, as the smaller, aggressive, entrepreneurially driven firms are developing more new products and becoming dominant in certain markets. Recognizing the positive results that occur when employees of other large corporations catch the "entrepreneurial fever," many companies are now attempting to create the same spirit, culture, challenges and rewards of entrepreneurship in their organizations. What are the differences between corporate and entrepreneurial cultures? Between, managers, entrepreneurs, and intrapreneurs

The typical corporate culture has a climate and reward system that favors conservative decision making. Emphasis is on gathering large amounts of data as the basis for a rational decision and to use to justify the decision should the intended results not occur. Risky decisions are often postponed until enough hard facts can be gathered or a consultant hired to "illuminate the unknown". Frequently, there are so many sign-offs and approvals required for a large-scale project that no individual feels.

Comparison of Entrepreneurs, Intrapreneurs, and Traditional Managers

	Traditional Managers	Entrepreneurs	Intrapreneurs
Primary motives	Promotional and other Traditional corporate Re-wards, such as office, Staff, and power	Independence, Opportunity to create And money	Independence and Ability to advance in the corporate rewards.
Time Orientation	Short-term meeting quotas and budgets, weekly monthly, quarterly, and the annual planning horizons.	Survival and achieving 5-10 year growth of business.	Between entrepreneurial and traditional managers, depending on urgency to meet self-imposed and corporate timetable.
Activity	Delegates and supervises More than direct involvement	Director involvement	Direct involve-ment more than delegation.
Risk	Careful	Moderate risk taker	Moderate risk taker
Status	Concerned about status symbols.	No concern about status symbols.	Not concerned about tradiational corporate status symbols-desires independence.
Failure and mistakes	Tries to avoid mistakes and surprises	Deals with mistakes and failures.	Attempts to hide risky projects from view until ready.

	Traditional Managers	Entrepreneurs	Intrapreneurs
Decisions	Usually agrees with those in upper management positions.	Follows dream with decisions.	Able to get others to agree to help achieve dream.
Who serves	Others	Self and customers	Self, Customers and sponsors.
Family history	Family members worked for large organizations.	Entrepreneurial small business, professional, or farm background.	Entrepreneurial small-business, professional or farm background.
Relationship with others	Hierarchy as basic relationship	Transactions and deal making as basic relationship	Transaction within hierarchy.

Climate for Intrapreneurship

How can the climate for intrapreneurship be established in an organization? In establishing an intrapreneurial environment, certain factors and leadership characteristics need to be operant. The overall characteristics of a good intrapreneurial environment are summariezed in Table. The **first** of these is that the organization operates on the frontiers of technology. Since research and development are key sources for successful new product ideas, the firm must operate on the cutting edge of the industry's technology, encouraging and supporting new ideas instead of discouraging them, as frequently occurs in firms that require rapid return on investment and high sales volume.

Second, experimentation – trial and error – encouraged. Successful new products or services usually do not appear fully developed; instead they evolve. It took time and some product failures before the first marketable computer appeared. A company warning to establish an intrapreneurial spirit has to establish an environment that allows mistakes and failure in developing new innovative products. while this is in direct opposition to the

established career and promotion system of the traditional organization, without the opportunity to fail in an organization, few if any corporate intrapreneurial ventures will be developed. Almost every entrepreneur has experienced at least one failure in establishing a successful venture.

Third, an organization should make sure that there are no initial opportunity parameters inhibiting creativity in new product development, Frequently in an organization, various "turfs" are protected, frustrating attempts by potential intrapreneurs to establish new ventures, In one fortune 500 company, an attempt to establish an intrapreneurial environment ran into problems and eventually failed when the potential intrapreneurs were informed that a proposed new product and venture was not possible because it was the domain of another division.

Fourth, the resources of the firm need to be available and easily accessible. As one intrapreneur stated, "If my company really wants me to take the time, efforts and career risks to establish a new venture, then it needs to put money and people resources on the line. Often insufficient funds are allocated to the task of creating something new, with available resources being committed instead to solving problems that have an immediate effect on the bottom line. Some companies like Xerox and AT & T have recognized this problem and have established separate venture.

Table: Intrepreneurial Environment

- Organization operates on frontiers of technology
- New ideas encouraged
- Trial and error encouraged
- Failures allowed
- No opportunity parameters
- Resources available and accessible
- Multidiscipline teamwork approach
- Long time horizon
- Volunteer program
- Appropriate reward system
- Sponsors and champions available
- Support of top management

Capital areas for funding new internal ventures. When resources are available, all too often the reporting requirements become obstacles to obtaining them, causing frustration and dissatisfaction.

Fifth, a multidiscipline team approach needs to be encouraged. This open approach, with participation by needed individuals regardless of area, is the antithesis of the corporate organizational structure and theory. An evaluation of successful cases of intrapreneurship indicated that one key to success was the existence of 'skunkworks" involving key people.

Some companies can facilitate internal venturing by legitimizing and formalizing the skunkworks already occurring. Developing the needed teamwork for a new venture is further complicated by the fact that a team member's promotion and overall career within the corporation is related to his or her job performance in the current position, not to his or her contribution to the new venture being created.

Sixth, the spirit fo intrapreneurship cannot be forced on individuals, it must be an on volunteer basis. There is a difference between corporate thinking and intrapreneurial thinking, with individuals performing much better on the latter side of the continuum. Most managers in a corporation are not capable of being successful intrapreneurs. Those who do emerge from this self-selection process must be allowed the latitude to carry a project through to completion.

This is not consistent with most corporate procedures for new product introduction, where different departments and individuals are involved in each stage of the development process. An individual willing to spend the excess hours and efforts to create a new venture needs the opportunity and the accompanying reward of carrying the project through to completion. An intrapreneur falls in love with the newly created internal venture and will do almost anything to help insure its success.

The **seventh** characteristic is a reward system. The intrapreneur needs to be appropriately all the energy and effort expended in the creation of the new venture. These rewards should be based on the attainment of established performance goals. An equity position in the new venture is one of the best methods for motivating and cliciting the amount of activity and efforts needed for success.

Eighth, a corporate environment favourable for intrapreneurship has sponsors and champions throughout the organization who not only support the creative activity and resulting failures but also have the planning flexibility to establish new objective and directions as needed. As one intrapreneur stated,

"For a new business venture to succeed, the intrapreneur needs to be able to alter plans at will and not be concerned about how close they come to achieving the previously stated objectives". Corporate structures frequently measures managers on their ability to come close to objectives, regardless of the quality of performance reflected in this accomplishment.

Finally, and perhaps most important, the intrapreneurial activity must be whole heartedly supported and embraced by top management, both by physical presence and by making sure that the personnel and the financial resources are readily and easily available. Without top management support, a successful intrapreneurial environment cannot be created.

Within this overall corporate environment, there are certain individual characteristics needed for a person to be a successful intrapreneur. As summarized in Table these include understanding the environment, being visionary and flexible, creating management options, encrouaging teamwork while employing a multidiscipline approach, encouraging open discussion, building and coalition of supporters and persisting.

To successfully establish a successful entrepreneurial venture, the individual must be creative and have a broad understanding of the internal and external environments of the corporation.

The person who is going to establish a successful new entrepreneurial venture must also be a visionary leader-a person who dreams great dreams.

The third needed characteristic is that the entrepreneur be flexible and create management options. An entrepreneur does not "mind the store" as is frequently taught in many business schools, but is playful and a bit irreverent. By challenging the beliefs and assumptions of the corporation, an entrepreneur has the opportunity to create something new in the largely bureaucratic organizational structure.

The intrapreneur must possess a fourth characteristic the ability to encourage teamwork and use a multidiscipline approach. To minimize the negative effect of any disruption caused, the entrepreneur must be a good diplomat.

A successful new entrepreneurial venture can be formed only when the team involved feels the freedom to disagree and to critique an idea in an effort to reach the best solution. The degree of openness among the team depends on the degree of openness of the entrepreneur.

Openness leads also to me establishment of a strong coalition of supporters and encouragers. The entrepreneur must encourage and affirm each team member, particularly during difficult times.

Last, but not least, is persistence, throughout the establishment of any new entrepreneurial venture, frustration and obstacles will occur. Only through the entrepreneur's persistence will a new venture be created and successful commercialization result.

A distinction should be made between 'intrapreneurs' and 'entrepreneurs'. First, an entrepreneur is an independent businessman who bears full risks of his business whereas an intrapreneur is semi-independent and does not fully bear the risk of the business he develops and operates. Secondly, the entrepreneur himself raises the necessary capital from various sources and guarantees the return to people who give him finance.

On the other hand, the intrapreneur neither raises the capital himself nor guarantees any return to the suppliers of capital. Thirdly, an entrepreneur operates from outside an organisation whereas the intrapreneur is an 'organisation man' operating from within the organisation. Comparing the two, Pinchot writes an intrapreneur is any of the dreamers who do, those who take on responsibility for creating innovation of any kind within an organisation. the intrapreneur may be the creator or inventor but is always the dreamer who figures out how to turn an idea into a profitable reality. Similarly, entrepreneur is someone who files the roel of an intrapreneur outside the organisation.

Both the entrepreneur and the intrapreneur are innovators and both perform the function of organisation and management. But the context within which the two operate and the degree of risk they bear are different.

Summary

This lesson has clearly narrated the importance developing intrapreneurship. The different methods of developing intrapreneurship are explained through case experiences.

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Lesson 4.2 - Growth of Enterprises

Learning Objectives

Having gone through this lesson, you may be able to:

- Understand need and strategy for the growth of enterprises
- Understand the role of dealership, networking and franchising

Introduction

An entrepreneur visualizes business opportunity and organizes various factors of production for seting up an enterprise. In the modern competitive world, enterprise needs to be strong enough to successfully face the challenges posed by changing business environment. This lesson highlights the need for growth of business enterprises. Business growth is a natural and ever going process. The growth of an enterprise is reflected in the increase in its sales, volume of output, assets and profits.

It further describes the emerging options of the business enterprises to ease the administration and enrich the business growth in the form of net working, dealership and franchising etc.

Need for Growth

Various motivating factors which fuel the need for growth of an enterprise are:

Need for Survival. In order to survive in the present environment firms need strength & stamina which can be generated only through growth.

Benefits of Economies of Scale: A growing firm can reap various advantages of economies of scale with respect to purchasing, production, marketing, financing and management of the enterprise also.

Increase in Demand: In order to cater to increasing demand for goods and services the firms have no choice but to expand or grow.

Modern Technology: It symbolises huge investment and mass production besides better quality products and lower cost.

Compliance with Govt. Policy will ease the enterprises to avail various facilities, concessions and incentives provided by the government.

Desire for recognition motivates the entrepreneurs to set up enterprises, ensure their efficient function and finally build business empires.

Strategies of Growth

Strategy is an intentional and well planned course of action evolved to achieve desired objective. Growth strategy means a properly designed plan to facilitate in the growth of business over period of time. Various strategies for growth are:

Expansion in the form of market penetration, market development and product development.

Diversification by entering new filed of business on various ways viz., horizontal, vertical, concentric and conglomerate diversification.

Mergers by combining two or more existing firms into one to gain economies of scale.

Joint ventures by pooling resources and promoting new ventures and managing jointly. and

Sub-contracting i.e., by engaging another firm to perform certain manufacturing process or produce a part of it and then assemble it as a finished product.

Dealership, Networking and Franchising

A. Dealership

A person who wants to become an entrepreneur can take up dealership in big companies and deal their products. Thereby he could learn the art of marketing, customer service and market competition etc., Dealers are merchant intermediaries who deal in the product lines of a manufacturer under exclusive franchise arrangement which usually incorporate restrictions regarding territories and markets served and product handled and lay conditions in respect of re-sale prices, inventory carrying and payments. Dealerships are widely adopted both consumable goods and durable goods.

B. Networking

Today's entrepreneurs are deeply embedded in networks, partnerships, alliances, and collectives. Networking, the process of enlarging the entrepreneur's circle of trust, is a negotiation process. How entrepreneurs access networks and how those help them succeed are the subjects of this section.

Benefits and Motivations for Networking

Entrepreneurs usually have a wide range of friends, acquaintances, and business associates. They are able to make use of these informal network relationships to obtain resources and opportunities for their firms. These networks provide them with information about their environment, and they enable entrepreneurs to build reputation and credibility for themselves and their firms.

The networks themselves can be sources of sustainable competitive advantage as well as a means of procuring other resources that can be a source of sustainable competitive advantage.

Types of Networks

One type of network is known as the personal network. This is an informal network that consists of all the direct, face-to-face-contacts the

entrepreneur has. These include friends, family, close business associates, former teachers and professors, among others. The ongoing relationships in a personal network are based on three benefits: trust, predictability, and "voice".

The second type of network is the extended network. Extended networks are formal, firm-to-firm relationships. The entrepreneur develops these by means of boundary-spanning activities with other owners and managers of enterprises, customers and vendors, and other constituents in the operating environment.

Extended networks contain more diversity than personal networks and, consequently, more information.

Alliance Behaviors

Entrepreneurs engage in four basic types of alliances:

1) confederations,
2) conjugate alliances,
3) agglomerations, and
4) organic networks.

These types are distinguished by two characteristics:

1) whether the relationship is direct or indirect (entrepreneur's business to alliance partner) and
2) whether the relationship is with competing or non competing firms.

Confederate Alliances

Direct contact with competitors is called a confederate alliance, or simply a confederation. In concentrated industries, where a few firms have most of the market to themselves, confederate alliances are usually motivated by an attempt to avoid competition through techniques such as point pricing, uniform price lists, standard costing, and product standardization.

Conjugate Alliances

Direct contact with noncompeting firms is called a conjugate alliance. Examples include long-term purchasing contracts with suppliers and customers and joint research and development projects. Companies that keep their separate identities and engage in conjugate relationships are mimicking the vertical integration strategies of larger firms and attempting to obtain those benefits without incurring the inherent risks.

Agglomerate Networks

An agglomerate network, or an agglomeration, is a set of indirect relationships between firms that are competitors. It serves as an information network that enables the firms to secure information about the capabilities and competencies that are regarded as necessary but not sufficient for success.

Organic Networks

An organic network is an indirect relationship (indirect in terms of the business, not the individual entrepreneur who represents the firm) between non-competing organizations.

C. Franchise Deal

In the present economic scenario, more and more people dream of being an entrepreneur and some of them take a fast-track route by purchasing a franchise. A franchise enables you, a 'franchisee', to sell goods or services that have instant brand recognition in the market. By paying a franchise fee you get a fully developed business format, a right to use the 'franchiser's' trademark and assistance including training.

The franchiser often helps in selecting the location, layout and interiors, provides a well-established operating system, advises on marketing, management and personnel, besides training the franchisee and his staff.

In franchising, by associating yourselves with a well-established chain, you can reduce your risk but at a cost. Besides paying a franchise

fee, you may lose your independence and are subjected to control of the franchiser.

A franchiser normally charges the following fees from its franchisee:

Upfront Charges

These include non-refundable franchise fee and other initial expenses, and normally range from several thousand to several lakhs of rupees. These include cost of equipment, furnishing, rent and initial inventory.

Royalty Payments

You are often required to pay a fixed percent of our sales every month to the franchiser as a royalty for use of the name and trademark. Royalthy payments are due even when the business is not breaking even.

Advertising Fees

You are normally required to contribute to an advertising fund. Some part of this money will support the market development activities in your area, while a part of the same will be used in national advertising to solicit more franchisees.

You may be called to contribute to both local and national advertising funds. In addition, you will be required to bear the expenses of a grand opening ceremony and other initial business promotion expenses.

Other Costs

These include additional cost burden that may be imposed on you by the franchiser in forcing you to buy some non-proprietary items from the franchiser or his approved sources. License fee for operating certain business may constitute a major part of these expenses that are to be borne by the franchisee.

Franchise system maintains uniformity at all franchise outlets. This leads to loss of independence for the franchisee and restricts their ability to use business acumen and innovation.

Selecting a Franchise

Before an entrepreneur selects a franchise, he should ensure that he wants to be a franchisee rather than setting up his independent business from scratch. Three important considerations should be:

a) your ability
b) the product's market, and
c) franchiser's strengths

You should identify and define your skills and desires. You should ensure that these suit the requirements and role demands of a franchise. It is better to ascertain if you would be able to operate your outlet even if the franchiser goes out of business.

Check if you have access to the same or other suppliers; if you could conduct the business alone if you need to lay off personnel to cut cost. A few years ago, an apparel company 'Stencil' had to close shop.

Well over 100 franchisees found themselves out of business overnight. You should better have the abilities to guard yourself against such odds.

As a prospective franchisee, you should study the market in terms of the demand, competition, brand and growth potential of the franchiser's products. You should ascertain the demand of the franchiser's products or services in your area of operation.

Check if the demand is seasonal, likely to be temporary and ensure that the product or service generates repeat business. Study the level of competition, especially in your area of operation.

Check the number of franchiser operated and franchised outlets in your area and its neighbourhood. You should also factor in the competition from other companies selling the same or similar products or services and check if the competing companies are well established with wide name recognition in your area.

It is better to compare if the same foods and services are offered at the same or lower prices. Recently a Pizza Corner franchisee in Paschim Vihar, New Delhi had to shift its location when Domino Pizza opened shop next door.

Primary reason for buying in a franchise is to associate with the name of an established company. A well-established brand name is likely to draw more customers at the outlet. Therefore, before you purchase a franchise you should consider:

- The popularity of the franchiser's brand name and trademark
- How long the franchiser has been in the business
- If the company has a reputation for quality products or services
- Number of complaints or cases pending in the consumer courts and other for a.
- If the franchiser or any of its executive has been convicted of offences involving fraud, unfair or deceptive practices.

The next important criteria relates to the strengths of the franchiser and is gauged by the company's experience in marketing the product or service and running a franchise network on one hand and the training and support services to be provided by the franchiser on the other.

There is no guarantee that an entrepreneur who is successful in selling its products for several years will definitely succeed in managing a franchise network.

You should prefer to deal with a company that has some experience in handling the franchise network. If the franchiser has little experience in managing a chain of franchises, its promises of guidance, training and other support may be unreliable. Many people opt for a franchise because of the support they expect from the franchiser. It is important to know the type of training and support the franchiser provides.

While buying a franchise it is a good idea to go in for comparison shopping. Discuss the prospects with them and try to get the answers to the following questions:

- How long has the franchiser been in business?
- How many franchised outlets currently exist?
- Where are they located?
- How much is the initial franchise fee and other startup costs?
- Are there any continuing royalty payments? How much?
- What control does the franchiser impose?
- What type of training and other support services are to be provided by the franchiser?
- What are the projected sales and income figures as per the franchiser? Ask for a written substantiation for any projections, and if the franchiser is unable or unwilling to provide such substantiation, then you should consider such projections as doubtful.

Last but not the least, you are required to know the conditions under which the franchiser may terminate your franchise and your obligations to the franchiser after termination. You should explicitly know what you may gain or lose if your are required to pull out of the franchise or the franchiser opts to cancel the contract.

Controls

To ensure uniformity, franchisors typically control how franchises conduct business. These controls may significantly restrict your ability to exercise your own business judgement. The following are typical examples of such controls.

Site Approval

Many franchisors pre-approve sites for outlets. This may increase the likelihood that your outlet will attract customers. The franchisor, however, may not approve the site you want.

Design or Appearance Standards

Franchisors may impose design or appearance standards to ensure customers receive the same quality of goods and services in each outlet. Some franchisors require periodic renovations or seasonal design changes. Complying with these standards may increase your costs.

Restrictions on Goods and Services Offered for Sale

Franchisors may restrict the goods and services offered for sale. For example, as a restaurant franchise owner, you may not be able to add to your menu popular items or delete items that are unpopular. Similarly, as an automobile transmission repair franchise owner, you might not be able to perform other types of automotive work, such as brake or electrical system repairs.

Restrictions on Method of Operation

Franchisors may require you to operate in a particular manner. The franchisor might require you to operate during certain hours, use only pre-approved signs, employee uniforms, and advertisements, or abide by certain accounting or bookkeeping procedures.

These restrictions may impede you from operating your outlet as you deem best. The franchisor also may require you to purchase supplies only from an approved supplier, even if you can buy similar goods elsewhere at a lower cost.

Restrictions of Sales Area

Franchisors may limit your business to a specific territory. While these territorial restrictions may ensure that other franchisees will not compete with you for the same customers, they could impede your ability to open additional outlets or move to a more profitable location.

Terminations and Renewal

You can lose the right to your franchisee if you breach the franchise contract. In addition, the franchisee contract is for a limit time; there is no guarantee that you will be able to renew it.

Franchise Terminations

A franchisor can end your franchise agreement if, for example, you fail to pay royalties or abide by performance standards and sales restrictions. If your franchise is terminated, you may lose your investment.

Renewals

Franchise agreements typically run for 15 to 20 years. After that time, the franchisor may renew your contract. Also be aware that renewals need not provide the original terms and conditions. The franchisor may raise the royalty payments, or impose new design standards and sales restrictions. Your previous territory may be reduced, possibly resulting in more competition from company-owned outlets or other franchesees.

Summary

Business growth is a natural and ever going process. There are various factors which motivate the growth of an enterprise viz., need for survival, benefits of economies of scale, increase in demand, modern technology, compliance with government policy and desire for recoginition. There are several intentional and well planned course of action evolved to achieve the desired objective of the enterprise in the recent past in the form of various corporate strategies. They are: Expansion, Diversification, Mergers, Joint ventures, sub contracting etc. Networking skills and alliance formation are vital to both new ventures and growing firms. Networking is actually a series of methods of securing resources without taking ownership. These include various forms of partnerships, alliances, and informal agreements. The ability to convince others of the desirability of an alliance and to negotiate favorable terms for the venture is a fundamental skill for today's entrepreneur.

Franchising presents the entrepreneur with the opportunity to expand the boundaries of the organization and, potentially, to retain control of the strategic resources that provide the basis of SCA. The franchisor contributes the key resources of the business system and the product or service's reputation. The franchisee contributes knowledge of the specific location, human resources, and a highly motivated owner/manager to maintain quality. The combination has led to tremendous growth in franchising systems.

There is no doubt that buying a franchise can lead to a short cut in a successful career in entrepreneurship, yet it is important for you to thoroughly understand the franchising business and its limitations, and take due precautions in buying a suitable franchise.

Self Assessment Questions

1. How to identify the reasons for the interest in intrapreneurship.
2. Explain the organizational environment conducive for intrapreneurship.
3. Discuss the differences between corporate and intrapreneurial cultures.
4. How to identify the general characteristics of an intrapreneur.
5. Explain the process of establishing intrapreneurship in an organization.
6. What do you mean by business growth? Discuss the need for growth of a business.
7. Why do business firms grow?
8. Discuss the various types of growth strategies which can be adopted by the business firm.
9. Are franchisors entrepreneurs? Are franchisees entrepreneurs? Give reasons for your answers.
10. Why has franchising been so successful in the United States? Does it have the same potential worldwide?
11. Why is pilot store so important for the potential franchisor?
12. What are the characteristics of a franchiseable business?
13. What is the nature of the dependency between franchisor and franchisee?
14. What should a franchisee look for in evaluating a franchise opportunity?

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UNIT – V

Unit Structure

Lesson 5.1 - Women Entrepreneurship
Lesson 5.2 - Entrepreneurship Development in Rural areas
Lesson 5.3 - Entrepreneurship in Agriculture
Lesson 5.4 - Entrepreneurial Opportunities in Service Industries

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Lesson 5.1 - Women Entrepreneurship

Learning Objectives

This lesson plans to describe the emergence of women entrepreneurship on the following heads.

- Need for women entrepreneurship
- Special schemes for women entrepreneurs
- Problems of women entrepreneurs
- Nurturing process of women entrepreneurs

Introduction

Of late entrepreneurship amongst women has become a topic of concern for all of us. Since women constitute nearly fifty percent of the total population of our country, it is necessary they play a positive and constructive role in the socio-economic development of the country. After Independence a good deal of attention has been given to spread of literacy, increasing employment through industrial development and improving health and quality of life of women in the country.

Women entrepreneurs may be defined as the woman or a group of women who initiate, organize and operate a business enterprise. Any women or group of women which innovates, initates or adapts an economic activity may be called women entrepreneurship.

Need for Women Entrepreneurship

For a long time women were confined to the limits of the home. Gradually more and more women entered professions and services. Now, finally, the women entrepreneurs have arrived. Business acumen is no longer a man's prerogative. Women are rapidly emerging as smart and dynamic entrepreneurs.

Women have entered almost all areas of business activity, cleaning powder – you name it. Women have already entered the field. And the Indian women has ventured in areas like cement manufacturing, steel works, etc. in which most of her counterparts from the more developed countries are yet to enter. In India, certainly women to mean business, women entrepreneurship is required on the following grounds:

i. Society cannot afford to ignore this vast human resource with its immense potential.

ii. Favourable changes in the socio-economic scene such as advent of labour saving devices have freed women from drudgery of long labour.

iii. Concept of small family and break up of traditional joint family system has resulted in psychological liberation experienced by women.

iv. Increased aspirations to widen their horizon and extend their role.

Scope of Women Entrepreneurship

In rural areas where agriculture is the prominent activity, agro-based industries like food preservation, bakery, dairy, poultry can be taken up by women. They have been helping men in all these activities without getting any credit or money with a little training they could do it on their own in a business like manner. In areas where forests predominate, forest preservation, collection, assortment and classification of medical plants too can be done by them.

In districts where industries are located, spare parts and ancillary units can be managed by women. Apart from traditional industry, women should also be encouraged in mechanical and electrical activities. They can be trained in maintenance and repairs of all small machineries and they can be encouraged to start small workshops. Technical institutes can train girls and encourage them towards self-employment.

In urban parts, apart from teaching, nursing and other traditional occupations, there are many new areas where women can start on their own. With modern technological revolution, the field is vast and open, Electronics, computer services, information and consultancy services, advertising and publicity are some of the areas that women entrepreneurs can explore. What they need is training, finance and the cooperation and encouragement from the family, the society and the governmental organisations. That will enable women entrepreneurs to enter the mainstream of the country's economy, which in turn will speed up the economic development of our country.

Strategies for Developing Women Entrepreneurship

Entrepreneuring is very specialised field where success depends strictly on personal ability in management, creativity imagination, self discipline, emotional stability and objective thinking. Women have to be motivated to join the national main stream of entrepreneurship by participating in the economic activity. It need not necessarily be welfare oriented but productivity oriented for specific economic development. It can be stated that the entry of women to industry in the last decade coincides with the shift in economy, based an low technology to high technology. Computers, laser optics, electronics and the lastest in communication technology introduced a sea change in production, technology where brain power rather than muscle power is needed for entrepreneurship.

Probably the shift in the production technology with the consequent change in customer demands also paved the way for increased women entrepreneurship.

The essentials of women entrepreneurship are opportunity, ability, motivation and attitude. When an individual is motivated by ability and opportunity factors, it results in productivity. Similarly, motivation and

attitudinal factors serve as facilitators on ability and opportunity to work as catalysts for crystallising the entrepreneurship with productivity. When motivational factors are absent ability and opportunity of individuals stays dormant. The opportunity factor includes the volume of human energy, development of household technology, government laws, economic factors, social factors etc.

Institutions Assisting Women Entrepreneurship

An entrepreneur will require some orientation, acquaintance and moral support from various institutions. For selection of industry - Small Industries Service Institute and District Industries Centre. For Registration - District Industries Centres Factory accommodation- District Industries Centre, SIDCO, SIPCOT.

For Finance - Tamil Nadu Industrial and Investment Corporation & SIPCOT (Long Term Credit for fixed assets) District Industries Centre - (loans under state Aid Rules for block capital), Commercial Banks (Loans for meeting term and working capital needs)

Problems of Women Entrepreneurs

"For starting and running the unit women have to face various problems. These problems are classified under two categories.

A. Gender Related

The biggest problem or difficulty of a women entrepreneur is that she is a women. Some psycho-social factors impeding the growth of women entrepreneurship are given as problems as women. They are:

a. Poor self Image of Women

The present education, books, the media, films and all prevailing socio-cultural norms conspire and combine to perpetuate the image of women as a weak, submissive, non- aggressive daughter, an obedient, dutiful, dependent and faithful wife and a self sacrifising mother. Women themselves are so conditioned that they too unquestioningly accept this image of themselves and denigrate other women who might choose to question or step out of this traditional acceptable mould.

b. Discrimination

The perception of the states hierarchy based on the concept of men as 'Superior' and women as inferior has made the women subservient. Women is denied not in terms of her relation to man. Due to this social environment prevalent, they are unable to move freely as quickly as an individual to distant places to mobilise their resources or markets. This is a hindrance to their growth of business.

c. Faulty Socialisation

Right from early childhood when the educational conditioning begins, the attitudes comments and plans of their encouragement are different for each sex, the tasks to be performed, the game to be played are different. This tend to inhibit, entrepreneurship quality in two different ways. First an ideal of feminity has been set up, the values of which are contrary to those qualities needed for entrepreneurship..

Women and young women in particular internalize those values and limit their aspirations accordingly. Second who ever resist this socialization with the exception of a token few, are punished for their feminity and independence. Because of this faulty socialisation women are not ready to enter into the business.

d. Role Conflict

A women's role refers to the way she is expected to behave in certain situations. In the Indian context, women's place is completely at the mercy of her male relatives, first by virtue of birth and second by marriage. Indian women find it difficult to adjust themselves to the dual role that they have to playas traditional housewives and compete with men in the field of business and industry.

Entrepreneurship requires full devotion and dedication which is difficult if not impossible due to the role overload and role conflict. Many entrepreneurs think that there is a need to establish their business, but they do not wish to undertakes the same business they have no enough time to pay attention to these things, besides attending their domestic work.

e. Cultural Values

Women in our country has been worst victims of exploitation, prepetuated by an adjust socio-economic system dominated by old feudal values. The problems that women faced in entrepreneurship career are resistance, apathy, shyness, conservation, inhibition, poor response which are products of cultural traditions, value systems and social sanctions.

B. Practical Problems

1. The foremost difficulty of women entrepreneur is arranging finance and capital. Money is the blood steam of any enterprise. One can borrow finance from banks and other financial institutions. But the biggest catch is that of collateral security which is required to get bank credit. Women may have some jewellery but even then they cannot give it as security without the consent of the husbands of male members of their family. The male members may even persuade women to part with their jewellery but not ready to invest anything in the projects of women members. Procedures of obtaining bank loans and delay in getting it deter many women from venturing. At the Government level the licensing authorities, labour officers and sales tax inspector ask all sorts of humitiating questions like what technical qualifications you have, how will you manage labourers, how will you manage both house and business, does your husband approve etc.

2. Locational disadvantages are not uncommon for some entrepreneurs, because of their rural background and location. They are not having access ability to good markets. As a result, they are unable to get enough orders and market exposure.

3. Common problems for all entrepreneurs are how to market the product. They don't know how to contact and whom to contact. Here the middlemen try to exploit women entrepreneurs. If she decides to eliminate all the tasks, she has to perform all the tasks. In these days, of strict competition, a lot of money is required for advertisement. If the product happens to be a consumer goods then it takes time to win people away from other products and make this product popular. Because of these reasons, they could not achieve significant growth in sales. Hence they are forced not to increase the production on any large scale.

4. The non-availability of raw material within their region is also a main problem to the entrepreneurs. They do not know from where they can get it at cheap rate.

5. The paucity of liquid resources, i.e. working capital has been regarded as another main problem in their day-to-day operation.

6. Non-availability of skilled labour is quite common and is serious problem for women. They need women workers mainly due to the nature of the product which they are producing like fabrick painting, embroidery, crocket handicrafts, etc. By nature, workers could not like to come down to entrepreneurs place of work. As a result entrepreneurs are forced to go to workers place and hand over the entire work to them. This lead to high cost of production.

7. Those entrepreneurs who are doing embroidery, garments, painting, etc., are facing still price competition from the agencies sponsored by the government like Rural Development Agencies. This restricts the market of their products.

VII. Remedial Measures

To overcome all such problem efforts are being taken by all the agencies on the following lines:

1. Promotional Help: To formulate project in a proper form and also in drafting project report, getting concurrences from various authorities for different purposes.

2. Training: Achievement of motivation and training in the particular industry are also being imparted.

3. Selection of Machinery and Technology: Suitable assistance in the choice of appropriate machinery and equipment must be provided.

4. Finance: Banks and other institutions agencies are adopting special schemes for rendering assistance women entrepreneurs. Concessions and preferences are also given to them.

5. Marketing Assistance: Providing information relating to the market condition, price level competition and other things too, women entrepreneurs will greatly relieve them from too much of torture.

Besides that, they too should possess certain qualities to become successful entrepreneurs by overcoming the problem as women.

Qualities of Women Entrepreneurs

To be successful, women entrepreneurs must possess the following attributes:

1. Enthusiastic
2. Imaginative
3. Realistic
4. Intuitive
5. Optimistic
6. Enterprising
7. Developmental
8. Persevering
9. Patient
10. Self-motivated
11. Self-confident
12. Willing to take risks
13. Prepared to take challenges
14. Dynamic.

Even if a woman does not possess all these qualities willingness to take up business and develop entrepreneurial activities will go a long way towards equipping her for business ventures.

Types of Women Entrepreneurs

Robert Goffee and Richard Scase classify women entrepreneurs into four types:

1. Innovative
2. Conventional
3. Domestic
4. Radical

The rationale of the classification is the degree of commitment to gender role ideology and entrepreneurial ideals. The gender role ideology may be defined as the values, attitudes and personality characteristics which distinguish between the observable gender-related behaviours which differentiate the sexes (Spence and Helmreich, 1978). The gender role system in a society holds stereo-types for what males and females should be like, but it also defines many activities, tasks, behaviours and skills as being more appropriate for one sex or the other. A woman entrepreneur's commitment to gender ideology can be measured by her concurrence to

(i) the different sets of personality characteristics, the masculine and feminine stereo types

(ii) the different tasks and activities assigned to men and women, leading to the division of labour; and

(iii) the perception that males have a higher value than females (Wendy A.Duncan, 1989:38). Entrepreneurial ideals are d efined as a set of attitudes characterized by

  (i) belief in economic self-advancement,

  (ii) adherence to individualism, and

  (iii) strong support for work related excellence and profits.

There are probably more of conventional and domestic types than women of other types. The women's movement has brought to the scene 'innovative' and 'radial' women proprietors. The upward mobility of a woman entrepreneur is to rise from the low profiting domestic type to profit-oriented innovative type.

Most of the units run by women are craft-based and do not conform to the description of an industry. What is imperative today is a strong policy back-up for the diffusion of a greater measure of technology from the large units, leading to technology up gradation of the small units. The New Industrial Policy talks of modernizing the handloom, handicrafts, village and khadi industries segment.

Given the existing state of technology and equipment, it does not ensure to the artisans or workmen, even the subsistence level of wages. The modernization as envisaged does not also guarantee marketing support or evince political will to upgrade the technology of the small sectors.

What the Government could do is to provide some technological support through research and Development between specialized institutions and the small sector. At present, most of the R&D work in institutions is divorced from what the small sector needs. It will be useful if the Government initiate steps to expand and reorient the Development Centers and the tool-room facilities providing ample scope for small women entrepreneurs to test and diversify their products.

Self Help Group-an Avenue for Women Entrepreneur

Self-help groups play a significant role for the development of individual, group and society as a whole. More thrust, needs to be given in the promotion of SHGs, their co-ordination and endurance. Without sufficient financial input, their development will not be a reality; banks and government agencies involved in the promotion and development of SHGs should make committed involvement in making this methodology of "all for all" a successful exercise and make a role model for other states too.

On the other hand, self-help groups should actively involve themselves in taking up agriculture work, waste land development, small business activity and see that the loans to the groups are properly repaid. SHGs will go a long way in the eradication of poverty and thereby improve the standard of living of the poor and rural mass.

Concept of SHG

"All for all" is the basic principle of SHGs concept. It is mainly concerned with the poor and it is for the people, by the people and of the people. Under Mahalir Thittam, the Non-government organizations (NGOs) actively participate to carry out the household survey on the basis of Participatory Rural Appraisal method. NGOs are entrusted with the task of forming Women groups (SHGs) in the village level.

The origin of SHGs is the brainchild of Gramin Bank of Bangladesh, founded by the famous economist, Prof. Mohammed Yunus of Chittagong University in the year 1975. This was exclusively established for the weaker sections of the community. The poor people can derive the benefits or linkage with various banking institutions. In India, NABARD (National Bank for Agricultural and Rural Development) has taken interest to translate the benefits derived from the Bangladesh model to develop the poor through SHG in 1992 which is generally treated as finance to tiny or small industries, the most important 'Priority Sector' in the Indian economy.

Objectives of SHGs

- To inculcate the habit of thrift and savings among group members and to get relief from the clutches of money lenders.
- To develop the capacity of disadvantaged women in order to enable them to meet all social and economic barriers and thereby help them to become empowered citizens.
- To attain the equality of status of women as participants, decision makers, and beneficiaries in the democratic, economic, social and cultural spheres of life.
- To create democratic, economic and social process through institutions to motivate women to participate fully and actively in decision making in the family, community at the local, district, State and national level.
- To empower women to associate together with men as equal partners and to create a new generation of women and men to work together for equality, sustainable development and communal harmony.
- To promote and ensure the human rights of women at all stages of their life.

At present, under Mahalir Thittam the size of the groups is small, ranging between 12-20 to facilitate sustainability and not to exceed 20. The age limit for the membership will be 21 to 60. The members will all be married women and preference will be given to widows, divorcees, deserted and handicapped women and women belonging to SC/ST community. All members must be below the poverty line. The group members will meet every week for savings and payment and repayment and every fortnight for discussing all other matters. The agenda will be prepared and discussed in each meeting. The matters regarding savings, rotation of Sangha (group) funds, bank loans and repayments, and social and community action programme will be discussed in every meeting. Since the group functions in a democratic way, one animator and two representatives will be selected among the members instead of the usual president, secretary and treasurer set up. Animator will be the role model for the groups and for the village as a whole. The animator position will be rotated amongst the representatives once in every two years.

Linkage with Banks

All banks are lending the credit facilities to the SHGs members for production and consumption purposes on the condition of maintaining proper records, organising the group meetings, creating awareness about the women related issues and discussing various matters regarding village problems in every such group meetings.

The Women Development Corporation has insisted, the groups must maintain the relevant books of account in double entry book keeping system in order to facilitate audit or to verify the accounts. The grading of groups will be done taking into account the following activities; on the basis of meetings organised by the group (with minimum attendance of 75%) involvement of group meetings, quantum and number of savings per month, interest rate on internal loans, repayment of internal loans and books maintained by the groups.

If a group gets more than 55 of the total of 100 marks, Project Implementation Unit (PIU) of the Mahalir Thittam District Co-ordinating agency will recommend to the bank for getting outside credit to the women group. For the first year, groups are eligible for getting two and four times of total savings in the second year. The Chief Minister of Tamil Nadu has said that, twenty four thousand women groups have been formed with Membership of more than Four lakhs forty two thousand and the members have contributed more than Thirty two crores, based on which a sum of Ninety seven crores have been disbursed by the banks.

SHGs Identified with SGSY

Generally, all the government programmes are formulated for improving the economic conditions of the individual. On 1.4.99, the government of India has launched a new self-employment programme called Swarn Jayanti Gram Swarozgar Yojana (SGSY). It covers all aspects of self-employment, viz. organisation of the rural poor into self-help groups, their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing.

The eradication of poverty among rural poor in a period of three years is the ultimate goal of this programmes by identifying 4 or 5 viable

projects the specific area with the use of locally available resource in the district. The Gram Sabha will authenticate the list of families below the poverty line based on the Below the Poverty Line (BPL) census.

Each district will prepare project reports in respect of different activities in a specific area. The project will seek to define the different activities to be taken up, the time and cost factors, as well as the responsibility of different organisations. The banks and other financial institutions will be closely associated and involved in preparing these reports, so as to avoid delays in sanctioning of loans and to ensure adequacy of financing.

The outside credit will be provided to the group (SGSY) on the basis of project proposal submitted by the group for agricultural and allied activities. In respect of land based activities, SGSY will focus on creation and extension of members facilities to enable the small marginal farmers to take up the activities such as horticulture, floriculture etc.

The banks will provide the subsidy to the general individual beneficiaries under the integrated programme uniformly irrespective of category of area at 30% (50% for SC/ST) of the project cost subject to a ceiling of ₹ 7500 (₹ 10000 for SC/ST). For Group beneficiaries, the existing pattern of subsidy is 50% of the cost of the scheme, subject to a ceiling of ₹ 1.25 lakhs.

Hence, the basic objectives of SGSY are like that of SHGs. Now SHGs are identified as one of the sub schemes of the SGSY.

Summary

This lesson has clearly narrated the nature and scope of women entrepreneurship, strategies for developing women entrepreneurship and problems of women entrepreneurs.

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Lesson 5.2 - Entrepreneurship Development in Rural Areas

Learning Objectives

This lesson plans to describe the emergence of rural entrepreneurship on the following heads.

- Need for promoting rural entrepreneurship
- Special schemes for rural entrepreneurs
- Problems of rural entrepreneurs

Introduction

Industrialisation was one of Nehru's greatest legacies for independent in absolute terms appears to be very impressive, in the perspective it is rather meagre. The hiatus between rural and urban sectors has been constantly accentuated. But there is a saying that India is living in villages which implies that a very large majority of our population (3/4) is residing in villages. They have to earn, their bred only by utilising the village resources. Though such the resources are abundently available people are not utilising it effectively due to mass illiteracy, low skill, limited productivity, risk aversing nature of people etc. This has create very high degree of economic backwardness.

Rural Entrepreneurship

Rural Entrepreneurship involves the same basic functions as entrepreneurship in business and industrial activities of urban area. But, primary sector activities alone are taking place in rural areas. Rural entrepreneurship by transmitting industrial culture in rural areas bring about modernisation and innovation in agriculture and its allied activities. This will dynamise the rural economy, thereby accentuating earnings of rural people. Hence, promoting the farm entrepreneurship in the form of agro- based industries, tiny, cottage and small scale unit etc. will serve the purpose of promoting rural entrepreneurship. The difference 'between

rural and urban entreprenurs is only a matter of degree, rather than of content. Many of the successful entrepreneurial classes prospering in cities infact have their roots in the rural area.

The closeness to establishment, urban culture of manipulation infra-structural advantages in social costs make the urban entrepreneurship attractive. To build rural entrepreneurship it is needed to sustain and support the enterprising initiative and provide a proper model to the rural entrepreneur so that he can face challenges in a competitive environment.

Why Rural Entrepreneurship?

The need to promote entrepreneurship in rural areas is vital in the context of generating gainful employment and minimising the ever widening disparities between rural and urban areas. To remove mass poverty, widespread unemployment and urban employment and low productivity and to create prevalance of subsistence production both m farm and non-farm sectors require the development of rural entrepreneurship.

Dispersal of industries in rural areas using local resources and manpower the imperative need for combating the twin problems of poverty and unemployment in the rural economy. This could be done by promoting small scale and tiny sector units in rural areas. Resource utilisation at its origin has to be optimsed.

The industries sooner or late; get involved with development of villages, around the industrial area. At times, this happen voluntarily and out of genuine desire for rural upliftment. Besides that, pressures come from various sources; the local politicians, the populace who loose their land to industry, the workman who want to do things for their own village.

Government has also been designing and implementing many rural development programme like IRDP, TRYSEM, DWCRA, Jawahar Rozgan Yojana and PMRY on target groups and rural infra-structural facilities. Voluntary efforts are getting due recognition and new thrusts in policy support. The new action plan of the government desires to spend half of national resources for rural development.

Problems Relating to Rural Entrepreneurship

Rural society lives in paradoxes. They are capable of remarkable patience and express deep feelings on the one hand and on the other hand they exhibit inexplicable celloushness. There are several social and economic constraints on entrepreneurial development in rural areas. Often the living conditions and facilities offered by rural areas fail to attract the professionals. Similarly, the vast difference in the nature of industrial and rural work cultures create problems in production. Many Engineering industries discover this fact when they compare the productivity of self factories in rural areas with an urban one. Industries invariably need to develop ancillaries or atleast resort to sub-contracting part of their work. It is difficult in rural areas to find the right quality of such organisations. Then the testing and inspection facilities in the rural areas are also highly inadequate which tends to ignore and) incur cost of poor quality. Another problem the rural, areas are riddled with is' the shortage of decision makers. The local government officials in the rural areas are at fairly low levels. Thus, the rural entrepreneurial development is a complex problem which, can tackled by the social, political and economic institutions. Efforts must be taken without any further delay to uplift the entrepreneurial development in rural sector and economic growth of the country.

Entrepreneurial Building

Highly educated and urban based potential entrepreneurs could utilise the services of Technical Consultancy organisations, Entrepreneurship Development Institutes, and the support service institutions like the DIC, SFC, SIDO, SISI, SSIDC, IDBI, SIDBI etc. Whereas the rural masses have to depend only on grass root 'level organisations which are normally not active. So, first of all steps must be taken to strengthen the grass root level organisations, to respond suitably to the emerging needs of entrepreneurship building require social. and economic inputs, training and motivation, functional inputs in credit, technology, markets and information and above all, an umbrella organisation to provide security cover. .

Generally, entrepreneurial building could be done on two basis, viz.,

A) Individual Approaches;
B) Group approaches.

Similarly it could be done on the basis of two other criterias to match with specific objectives. They may be

(i) Product approaches and

(ii) Project approaches.

(C) (i) Area approaches and

(ii) Service area approaches. The first category classification of entrepreneurial building is highlighted below..

Individual Approaches

Under this method the individual who have some basic entrepreneurial qualities and experience in the relevant field were identified awl provided with all support services: These individual entrepreneurs come from relatively better off categories such as business communities, prosperous. Farmers, technocrats, Previous trade practice as Job workers, skilled persons m service sector activities etc.

Group Approaches

There is greater need for induced entrepreneurship and mobilising inputs for mass entrepreneurship where groups and groups of entrepreneurs take to group and groups of activities. Here the main consideration is not high profit orientation and high risk taking. These are really the mass-based activities whose success depends on establishing linkages to resource and market systems' on the one hand and infrastructural inputs and services on the other. This type of entrepreneurship building exercises are difficult in the initial stages but gain momentum as their profitability becomes known. The target category of people coming under this approaches may be artisan classes small and marginal farmers; Women; people trained in technical schools, self-employment schemes like PMRY, TRYSEM TRIbals and specialised communities.

The other two category of approaches such as product and project approaches; Area and Service area approaches may also be adopted under the first category of classification of entrepreneurial building. Whatever may be the nature of approaches it should be done on group basis for promoting rural entrepreneurship.

While envisaging a methodology for entrepreneurial building 10 rural areas, certain experiences and observations have to be taken as suppositions.

Rural entrepreneurs represent a complex heterogeneous social structure with a wide variability.

The innovation of entrepreneurship has a greater elements of unknown and fever conditions which are reassuring to the villagers.

Different rural target areas require different programming in entrepreneurial identification and selection.

Localised linkage agency provide entrepreneurs and acts as a stroking source in their continuity.

Every potential rural entrepreneur reflects certain behavioural manifestation that needs to be isolated and, screened scientifically for a planned entrepreneurial' development.

Once the community is exposed to be entrepreneurial ventures and has reached the level of acceptance, the initiation has to reinforce the endeavour.

Steps to Improve Rural Entrepreneurs

While the problems that beset industrialisation are many leading to unbearable cost burden there is a need for some pre industrialisation planning to alleviate the situation in the rural areas. There is no doubt that the process of Rural entrepreneurship can be substantially speeded up. The crucial factor is the creation of the conditions which will attract the entrepreneurs to rural areas:

1. Identification of potential entrepreneurial opportunities in concrete terms is the foremost step in this process.
2. Providing entrepreneurial training, motivation at constant interval will attract the people to undertake the entrepreneurial venture with full confidence and interest.

3. The apprenticeship training centre is to set up in rural areas to build up a bank of rural youth, skilled and turned to industrial culture programmes like EDPS, Workshops, seminars, demonstrations are to be taken to rural areas on a massive scale.

4. Effective usage of the mass media to educate the rural community would go a long way in fostering values like timeliness, productivity etc. which are essential to the industrial culture.

5. Perception of risk is a critical factor among rural people at the time of taking any new activity. So, development of the people in the risk assuming process is more important that the development can be used as a frame work to formulate strategies for the development of rural entrepreneurship. Any developmental programme relating to rural entrepreneur should not be on achieving the time bound quantitative targets but on developing the villagers' risk taking and innovative capabilities.

6. Provision of essential infra-structural facilities like land, power, raw materials and finance at concessional rates to entrepreneurs by the governmental agencies and financial institutions are immensely essential to promote rural entrepreneurship.

7. Entrepreneurs must recognize that the safeguarding of workers interest is essential for securing optimum productivity and profitability of the enterprises.

8. Monitoring of rural development programmes will activate the rural entrepreneurship by providing right information at the right time to plan and manage the activities successfully.

9. The other basic requirement for promoting the rural entrepreneurship is the timely availability of credit. It is not only incentives such as low interest rates, sales tax exemption for two or three years or priority lending that the small rural entrepreneur needs but also making available to him the needed credit and making it available on time is essential.

10. The important grass root organisations like the Panchayats, Voluntary service organisations, banks have to be pressed into service. Various developmental programmes should converge to yield an entrepreneurial activity.

11. The national level institutions in technological research, training, promotion etc. are to attach themselves with the grass-root level organisations with a continuous interaction.

12. Information flows on projects, incentive structures, guidance sources etc. should be regular and continuous. Rural areas needs to be covered by information network.

Rural Entrepreneurial Opportunities

Rural folk would like to see returns in a very short period. Enterprises suggested for them need to produce tangible results. Hence rural entrepreneurship could be promoted mainly on the basis of the resources that are available in rural areas. Agriculture and agricultural based activities are the main' sources of employment. Some of the entrepreneurial opportunities available to rural people as identified by the VIII plan are given below:

- mineral based such as gas-based mini hydrocarbon plants,
- marine based such as the growing of aqua culture in the sea coasts,
- forest based, such as many units of wood industries
- animal based, such as' the meat, leather and dairy activities,
- poultry based such as industries for curing, freezing, grading, and canning of poultry and eggs and manufacture of egg powder,
- agro-based which the Union Ministry of Agriculture has developed for meeting local village block demand and export purposes grouped into:
- seed processing & marketing, food nursery
- gardening, mushroom production
- integrated pest control, fisheries,
- animal husbandry, bamboo working
- wheat flour & polished rice,
- sugar, gur, khandasari, tobacco, cigarettes, bidis,
- shoes, leather for making irrigation leather bags,
- paper, cardboard, pencils, pen ink,
- buckets, fruit juice, bricks, tiles,
- khadi, handloom cloth, bleached,

- soaps, utensils, bullock carts,
- micro nutrients like sulphates of zinc, copper, borax and others,
- cattle feed, poultry feed,
- tea, coffee, cashew, cardamom and other processes plantation crops.

To ensure that the above agro-resource-based industries selected by each State/district lead to full employment and enhance incomes. Eight multi skilled trades have been identified. under VIII plan in which training needs to be given -to the rural workers involved:

- tractor and farm equipment;
- mechanic and auto mechanic;
- rural electrician
- bakery
- tailoring, knitting & embroidery;
- leather goods manufacturing;
- carpentry & furniture making, and
- a blacksmithy, sheet metal & welding.

Both state and central governments are promoting entrepreneurship development by incorporating various special programmes. The details of those schemes are briefly given below.

Special Entrepreneurship Development Programmes

The need to step up rural development efforts, particularly in the context of the structural adjustments in the economy, substantial increases has been made in the rural development outlay for the Eighth Plan. The General Plan outlay has been steeped up to ₹ 30,000 crores which is exclusive of the likely State-Plan Outlay or about ₹ 15,000 crores. Few rural Development Schemes for promoting entrepreneurship are given below:

Rural Artisans

A new programme of supply of modem tool kits to rural artisans to enhance the quality of the product, increase the production and income

and reduce their migration to urban areas was launched in July 1992 to cover 5,00,000 rural artisans during the Eighth Plan. During 1992-93, 97.585 rural artisans were covered in 61 districts.

So far, 33,666 tool kits have already been distributed. All traditional rural artisans living below the poverty line except weavers, tailors, needle workers and bldi workers are covered under the programme. During 1993-94, it is proposed to supply tool kits to 1,33,000 rural artisans in 100 districts.

IRDP

Under the Integrated Rural Development Programme (IRDP), 42.24 million families have so far been assisted at a total investment of ₹ 18,048 crores. Coverage of women under the programme has steadily increased from 9.90 percent during 1992-93. During the last two years, nearly 46,00,000 families were assisted. The existing monetary ceiling for subsidy under the programme was increased by ₹ 1,000 for all categorizes of beneficiaries from the current year.

DWCRA

There has been a phased expansion every year under the programme of development of women and children' rural areas (DWCRA) It has now been extended to 291 districts throughout the country. Fifty more districts would be covered during 1993-94. During the last two years, 3,35,882 beneficiaries were assisted and 18,273 groups formed, the review said.

TRYSEM

The scheme of training of rural youth for self-employment (TRYSEM) aims at providing basic technical and managerial skill to rural youth from families below the poverty line to enable them to take up self-employment in the broad and business activities. During the last two years, 612,568 youths have been trained out of which. 3,20,967 have either been employed on wages or self-employed. During 1993-94. 3,50,000 youths are to be trained.

JRY

Under the Jawahar Rozgar Yojna (JRY), which provides wage employment to the rural poor, 1726.87 million mandays employment was during the last two years. A total os 3,80,979 wells were constructed under the million wells, scheme (MWS) during the last two years. Under the Indira Aws Yojna (JAY), about 4,48,283 houses have been constructed for the members of SC/ST and freed bonded labourers below the poverty line free of cost.

To have a correct assessment of the JRY, the Government has undertaken a concurrent evaluation of the programme through reputed research institutions in.all districts of the country. An intensified JRY scheme has been started in 120 districts with additional funds.

PMRY Scheme

Reserve Bank of India has announced a new scheme formulated by Government of India called prime inister's Razgar Yojana for Educated Unemployed Youth which was launched on 2nd October 1993.

1. Objective

The objective of the scheme is to provide employment to more than a million persons by setting up 7 lakh micro enterprises by the Educated Unemployed Youth. These micro enterprises will cover manufacturing (Industries), Services and Business ventures. The scheme also seeks to associate with reputed non-governmental organizations especially in the selection and training of the entrepreneurs, besides preparation of project profiles.

2. Coverage

The scheme will cover only Urban Areas of the Country during 1993-94 and whole of the Country from 1994-95. From 1994-95 onwards, the existing Self Employment Scheme for the Educated Unemployed Youth (Seeuy) will be subsumed in PMRY.

3. Eligibility

The Scheme covers all Educated Unemployed Youth who are marriculates (passed or failed). Preference will be given to Women, ITI passed and persons who have undergone the Government Sponsored Technical Courses for a minimum of 6 months and fulfilling the following conditions.

(i) Age: Between 18 and 35 years

(ii) Residency: Permanent resident of the area for atleast 3 years. Documents like Rarion Card would constitute enouch proof for the purpose. In its absence any other document to the satisfaction of the Task Force need be produced.

(iii) Family Income: Upto ₹ 24,000/- per annum, the word Faily would mean spouse and parents of beneficiary and family income would include income from all sources, whether wages, salary, pension, agriculture, business, rent, etc.,

(iv) Should not be a defaulter to any natioinalised bank/financial institution / cooperative bank.

4. Eligible Activity

The loan can be considered to Educated Unemployed Youth to set up micro enterprises relating to manufacturing (industries), Service and Business. Existign activities being financed under SEEUY will also qualify.

5. How to Apply

Eligible Educated Unemployed Youth may apply in the prescribed form to the District Industries Centres (DIC) / Small Industries Service Institutes and all promotional, financial and developmental agencies of the State Government as also NGO's (Non Governmental Organisations), Industries Associations and Other Agencies.

The above mentioned agencies in turn will forward the viable loan proposals to the District PMRY Committee / Merropolitan PMRY Committee.

These Committees will screen loan applications and forward them to the nearby bank branches for their consideration.

6. Role of Bank

If the applications received from the District PMRY Committee/ Metropolitan PMRY Committee are found viable, the financing branches will sanction a composite loan (working capital and term loan) not exceeding ₹ 95,000/- (₹ 1,00,000/- minus margin money ₹ 5,000- to each applicant with the following terms and conditions.

(i) Rate of Interest

The loan will carry interest as per directives of the Reserve Bank of India issued from time to time. The present system of charging system of charging interest based on the quantum of loan is applicable for this loan also.

(ii) Margin Money

The beneficiary would be required to bring in 5% of the project cost as margin money.

(iii) Unit Cost

The unit cost for different activities to be undertaken under the scheme will be fixed locally by the District PMRY Committee / Metropolitan PMRY Committee.

(iv) Security

Neither collateral security not third party guarantee need be insisted upon except the assets created out of the loan proceeds.

(v) Repayment

The repayment of term loans would be in instalments after the initial moratorium of 6-18 months ranging from 3 to 7 years based on the economics of the venture.

7. Training

Scheme envisages compulsory training for entrepreneurs for a period of four weeks after the loan is sanctioned. Trainees will get a stipend of ₹ 500/- during training period from the government.

8. Subsidy

Government of India would provide subsidy at the rate of 15% of the loan disbursed subject to a ceiling of ₹ 7,500/- per entrepreneur. In case more than one entrepreneur join together and set up a project under partnership, subsidy would be calculated for each partner separately at the rate of 15 percent of his share in the project cost, limited to ₹ 7,500/- (per partner).

9. Implementation

The District PMRY Committee will function as a nodal agency for implementation and monitoring of this scheme. The Committee could set up a sub-committee for the purpose.

In four metropolitan cities, metropolitan PMRY Committee will be similarly constituted. The PMRY Committee will be responsible for

(i) Motivating and selecting the entrepreneurs.
(ii) Identifying and preparing scheme in Trade, Service establishments and arrage Industries.
(iii) Determining the avocation / activities for each entrepreneur.
(iv) Recommending loan for the entrepreneur.
(v) Getting speedy clearance from the authorities concerned.

Summary

In these days, much is talked about relating education to social needs. Entrepreneurship is the best course to be offered to men and women. Women entrepreneurs are a vital group for the country's economic development. Women entrepreneurship movement in India is already off in but it has to be spread out geometrically among the masses with the co-ordination of all governmental agencies.

Thus an integrated and multi-dimensional approach is required for the development of entrepreneurship in rural areas. Identifying the opportunities that have growth potentials based on the locally available resources in the rural areas and give it in the in the form of capsule is very essential aspect of rural entrepreneurship. Besides the provision of package of assistances relating to technology, finance and other assistances to the entrepreneurs, assisting agencies must have close watch and guide the entrepreneurs properly. Certainly it will be getting good take-off to rural entrepreneurship.

In a nutshell, this lesson has created understanding about the various special programmes adopted by the government for promoting entrepreneurship. A detailed description about the different schemes especially PMRY Scheme is given.

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Lesson 5.3 - Entrepreneurship in Agriculture

Learning Objectives

Having gone through this lesson, you may be able to:

- Understand the need of entrepreneurship in agriculture and allied sectors
- Appreciate different types of enterprises
- Develop strategy for promotion of development of enterprises

Entrepreneurship in Agriculture

Over 85% of the rural population in India is dependent on agriculture for their livelihood. About 50% of them being poor, most of their earnings are spent on meeting their basic needs, particularly food. With the increasing population over the last five decades, their per capita share of land and water resources has reduced substantially. As a result, rural people are faced with the problem of unemployment. Inspite of agriculture being a major source of livelihood, the productivity as well as profitability in agriculture have been significantly low in the country. While the productivity can be attributed to illiteracy, lack of awareness, poor dissemination of technology, inadequate investment in agricultural inputs and poor communication and information services, lack of profitability is mainly due to inadequate and inefficient infrastructure required for forward and backward integration, poor post harvest and processing facilities and poor connectivity with market, resulting in exploitation by large number of middlemen.

Traditionally, the farmers have been dependent on the Agricultural Extension Agencies of the State Government for information, input supply and marketing services. Over the years, these agencies are not being able to cope up with the growing responsibilities and specific needs of the farmers. To overcome this problem, Farmers' Cooperatives have been promoted to supply various agricultural inputs and organise the marketing

of farm produce. Although, this was an excellent concept, most of these cooperatives could not carry out the work economically and efficiently due to lack of commitment from the elected leaders and unfair trade practices by the competing traders. The farmers, not realising the inability of the extension agencies, are still dependent on the Government and external agencies to help them in managing their agri-business.

Indeed, a major problem of Indian farmers is that, as agriculture is considered as a family tradition, a majority of the farmers continue to practise what their forefathers or their neighbours practised. There is a need for change. Agriculture must be considered as an enterprise, which should have a sound management back-up. As in any other enterprise, there should be proper planning about demand forecast, choice of technology, inventory of resources,.need for external inputs, skill level of the available human resources and their training needs, infrastructure and services needed for carrying out various operations and marketing. This change in the mind set among the farmers and Agricultural Extension Agencies is the primary step for promoting successful entrepreneurship in agriculture.

Need for Entrepreneurship in Agriculture & Allied Sectors

In the absence of local entrepreneurship, the opportunities in agriculture are high jacked by outsiders, particularly the urban businessmen and traders, leading to exploitation and deprivation of employment for the farmers. Considering the growing unemployment in rural areas and slow growth of the agricultural sector, it is necessary to tap the opportunities for promoting entrepreneurship in agriculture, which in turn can address the present problems related to agricultural production and profitability.

Agriculture and allied sectors are considered to be the mainstay of the Indian economy. They are the important source of raw material and demand for many industrial products, particularly fertilizers, pesticides, agricultural implements and a variety of consumer goods. They contribute nearly 22 per cent of Gross Domestic Product (GDP) of India. About 65-70 per cent of the population is dependent on agriculture for their livelihood.

'Agriculture and allied' industry is further divided into several segments, namely:- horticulture and its allied sectors (including fruits and vegetables, flowers, plantation crops, spices, aromatic and medicinal

plants); fisheries sector; animal husbandry and livestock; and sericulture. India's varied agro-climatic conditions are highly favourable for the growth of large number of horticultural crops, which occupy around 10 per cent of gross cropped area of the country producing 160.75 million tonnes.

India is the second largest producer of fruits and vegetables in the world. It is also second largest producer of flowers after China. It Is also leading producer, consumer and exporter for spices and plantation crops like tea, coffee, etc. While, sericulture is an agro-based cottage industry. India is ranked as the second major raw silk producer in the world.

2006-2007 reached the level of 100.9 million tonnes (provisional), which has placed the country on top in the world in this field.

The Ministry of Agriculture is the main authority in India for regulation and development of activities relating to agriculture, horticulture, fishing, animal husbandry, etc. It is implementing various schemes and policies for the sector through its divisions like 'Department of Agriculture and Cooperation' and 'Department of Animal Husbandry, Dairying and Fisheries'. Further, the Ministry of Food Processing Industries is actively engaged in promotion of entrepreneurial activities in the segments of fish processing as well as fruits and vegetables processing. Besides, commodity boards, like tea board, coffee board, rubber board, medicinal plants board, etc. have been set up to boost the growth of the sectors like tea, coffee, rubber, medicinal plants, respectively.

Types of Enterprises

While promoting entrepreneurship, we may consider different types of enterprises in agri-business.

1. **Farm Level Producers:** At the individual family level, each family is to be treated as an enterprise, to optimise the production by making best use of the technology, resources and demand in the market.
2. **Service Providers:** For optimising agriculture by every family enterprise, there are different types of services required at the village level. These include the input procurement and distribution, hiring of implements and equipment like tractors, seed drills,

sprayers, harvesters, threshers, dryers and technical services such as installation of irrigation facilities, weed control, plant protection, harvesting, threshing, transportation, storage, etc. Similar opportunities exist in the livestock husbandry sector for providing breeding, vaccination, disease diagnostic and treatment services, apart from distribution of cattle feed, mineral mixture, forage seeds, etc.

3. **Input Producers:** There are many prosperous enterprises, which require critical inputs. Some such inputs which can be produced by the local entrepreneurs at the village level are biofertilizers, biopesticides, vermicompost, soil amendments, plants of different species of ftuits, vegetables, ornamentals, root media for raising plants in pots, agricultural tools, irrigation accessories, production of cattle feed concentrate, mineral mixture and complete feed. There are good opportunities to support sericulture, fishery and poultry as well, through promotion of critical service facilities in rural areas.

4. **Processing and Marketing of Farm Produce:** Efficient management of postproduction operations requires higher scale of technology as well as investment. Such enterprises can be handled by People's Organisations, either in the form of cooperatives, service societies or joint stock companies. The most successful examples are the sugar cooperatives, dairy cooperatives and fruit growers' cooperatives in many States. However, the success of such ventures is solely dependent on the integrity and competence of the leaders involved. Such ventures need good professional support for managing the activities as a competitive business and to compete well with other players in the market, particularly the retail traders and middlemen.

Problems of Entrepreneurship Development

Entrepreneurship in agriculture is not only an opportunity but also a necessity for improving the production and profitability. However, the rate of success is very low in India, because of the following reasons.

1. For most of the farmers, agriculture is mainly a means of survival. In the absence of adequate knowledge; resources, technology and

connectivity with the market, it is difficult for the illiterate small holders to turn their agriculture into an enterprise.

2. Before promoting various services by self employed persons, there is a need to create awareness among the farmers, who are the users, about the benefits of these services.

3. For popularisation of services, the present practise of providing free service by the Government agencies should be discontinued. In fact, many farmers, particularly the politically connected leaders are of the impression that the government is responsible for providing -extension and technical advisory services to the farmers. However, over the years, the credibility has eroded and the services of these agencies are not available to small farmers, particularly those living in remote areas. Nevertheless, the concept of free service makes the farmers reluctant to avail of paid services, offered by the local self-employed technicians.

4. The self-employed technicians need regular back up services in the form of technical and business information, contact with the marketing agencies, suppliers of critical inputs and equipment and research stations who are involved in the development of modem technologies.

5. There are several legal restrictions and obstacles, which come in the progress of agri-business, promoted by the People's Organisations and Cooperatives. Private traders engaged in such business tend to ignore these rules and disturb the fair trade environment.

6. People's Organisations often hesitate in taking the risk of making heavy investments and adoption of modem technologies, which in turn affect the profitability. With low profitability and outdated technologies, farmer members lose interest in their own enterprises as well as in that of their leaders.

Strategy for Promotion of Successful Enterprises

Considering the present problems faced by the entrepreneurs engaged in agri-business, it is necessary to create a congenial atmosphere in the field. Some of the important conditions necessary for successful agri-business are presented below:

1. There should be a unanimous option among government officials and farmers about the need and benefits of promoting self-employed youth or private entrepreneurs to facilitate the farmers to enhance agricultural production and profitability.

2. The Government should discontinue the practice of providing free services in those sectors where the work has been assigned to private entrepreneurs.

3. The technical skills and ability of the entrepreneurs should be evaluated to ensure high standards. There should be a monitoring agency to check the quality of the services and the charges collected from the farmers to avoid exploitation.

4. To popularise the services of the entrepreneurs, the Agricultural Extension Agencies and Farmers Organisations should give wider publicity about the services available to the farmers. Such publicity can enhance the credibility of the services provided by the entrepreneurs.

5. The Government should encourage the entrepreneurs by introducing various concessions and incentives.

6. Networks of entrepreneurs may be established to share their experiences. These networks can also establish a close link with Research Institutions and Universities to become acquainted with the latest research findings and seek solutions for their field problems.

BAIF's Experience in Promoting Entrepreneurship in Livestock Development

Bharatiya Agro Industries Foundation (BAIF), a non-profit, Public Charitable Trust in 1967 to replicate his experiences in rural development has been promoting livestock husbandry, particularly dairy husbandry as an important activity for sustainable livelihood in rural areas. Promotion of dairy husbandry was preferred over agriculture as the cows are equally well distributed among the small and large land holders. With severe under-employment, small farmers will be able to make best use of livestock to generate gainful self-employment.

BAIF's strategy has been to utilise the non-descript, low productive cows as seed bed for producing high yielding crossbred cows, which come to milk production at the age of 3 years and yield about 2500 kg milk per lactation. Such cows, which are worth ₹ 15,000-20,000, generate a net income of ₹ 5000-7000 per annum. Apart from cash income, these cattle. boost agricultural production, through enhanced production of farmyard manure and supply of bullock power. Presently, this programme is benefiting 15 lakh families in 25000 villages.

Over 65% of these families were below the poverty line while taking part in this programme. Presently, at least 7-8 lakh families, maintaining 2-3 crossbred cows have come out of poverty. Dairy husbandry has become an important supplementary activity in the sugar belts of Western Maharashtra. However, in arid and semi-arid regions of Gujarat and Rajasthan, where agricultural productivity is uncertain due to erratic rains, dairy husbandry has turned out to be the major source of livelihood.

To promote dairy husbandry, BAIF has established mobile livestock breeding and extension services by employing trained paravets. These unemployed local youth, either graduates or college dropouts are trained for 4-6 months in livestock breeding, pregnancy diagnosis, vaccinations, health care, detection of health problems and providing first aid and management of livestock. They were then posted in the field to provide door-to-door services. Creation of awareness and motivation in addressing the problems related to livestock management is also a part of their responsibility apart from proving breeding services, using frozen semen of superior sires. With reliable door-to-door service, which was initially free, farmers developed confidence to expand their herd size and take dairy husbandry as an excellent opportunity for income generation. In Maharashtra, thousands of graduates have settled in their village with dairy farming as their business. It is very common to see young farmers in Western Maharashtra, maintaining 15-20 cows, in well build cattle sheds connected to a biogas plant, with a significant portion of their fields allocated for intensive forage production.

Looking to the profitability, the demand for breeding services has increased in the region. In the absence of sponsorship from the State Government or Fanners' Cooperatives, farmers were prepared to pay for the breeding services. Hence, many unemployed youth came forward to

undertake training in livestock breeding and extension services, at their own cost. BAIF provided them equipment on lease to operate the centres, by collecting service charges for various services provided to the farmers.

These self-employed paravets need regular support, by way of supply of frozen semen, liquid nitrogen, straws, AI guns, vaccines etc. for performing artificial insemination, vaccination and deworming. In addition, many of them have also started supplying cattle feed, mineral mixture, seeds for forage production and other inputs required by the dairy farmers. These paravets generally earn ₹ 4000-5000 per month, within 2-3 years of establishing their service. In about 8-10 years, they are able to enhance their capabilities and reputation and earn ₹ 8000-15000 per month. Indeed, many of them are already well respected in the community.

Looking at the success in promoting self employed paravets in Maharashtra, BAIF has promoted a similar activity in Gujarat, Rajasthan and Uttar Pradesh. In fact with the system of collecting service charges, fanners looked at the programme more seriously and demanded better quality services. With initial support for 3-4 years, till the impact of the breeding programme is realised by the local fanners, the livestock development centre, each covering 5-8 villages can be managed by self-employed paravets, throughout the country. This programme can provide self-employment for one lakh youth. With these paravets, fanners will be assured of superior quality breeding and health care services and can supplement their income through livestock management.

For successful replication of this programme, there is a need to organise training for the youth, provide loan for procuring equipment, arrange regular supply of necessary inputs at their headquarters, provide technical back-up and regular monitoring for quality control.

With initial establishment of breeding services, they can also take up vaccination against important diseases, deworming, supply of feeds and other inputs required by dairy farmers.

Milk collection and decentralised processing at the block level or in small towns and installation of milk processing units of 15000-20000 litres capacity will also have good scope. Such dairies can be managed

directly by the primary milk cooperative societies, avoiding several intermediate agencies. This will ensure transparency as well as efficiency, thereby benefiting both producers and consumers. In addition, additional employment can be created at the village and block levels. For promoting such mini dairies, there is a need to facilitate agencies, which can provide technology, equipment and various consumables of standard quality including some popular brands to attract the investors. Suitable policy support is also needed to promote such ventures.

Entrepreneurship in Horticulture Sector

Similar success stories have also been recorded by the poultry industry and fruit growers in different parts of the country. BAIF has promoted agri-horti-forestry on degraded lands, primarily to rehabilitate tribal and small farmers. This programme, popularly known as *Wadi,* fruit crops such as mango, cashew, custard apple, tamarind, etc. are being promoted. BAIF decided to produce grafted plants through the participant families itself The tribal women learnt grafting and nursery management techniques within a few weeks and started raising grafted plants in their backyards. BAIF offered a minimum support price of ₹ 15, while the tribal women were also allowed to sell in the open market. BAIF also provided inputs at cost and supervised the quality of the plants raised in the nursery. As a result, the tribals in Vansda block are now producing over 10 lakh grafted mangoes every year. Earlier, during the initial years of the *wadi* programme, BAIF had to procure mango grafts from the coastal region of Maharashtra, which cost more than ₹ 50 per plant. This transformation could take place because of assured market and technical guidance provided by BAIF.

This programme could also promote several enterprises, such as production of vermicompost, pots for pitcher watering, servicing and maintenance of hand pumps, drip irrigation units, repair of pumpsets, production of housing materials, food processing and trading. These activities could be successfully undertaken by the tribals, because of suitable planning, training, input supply, market linkage and regular monitoring about the quality and prediction of-demand.

Direct selling of agricultural commodities to consumers in urban and semi-urban areas is another important opportunity, not only to develop

farmers' own enterprise, but also to enhance the profitability by meeting the quality standards and value additions. Many participants of the *wadi* programme as well as other agricultural development programmes, who could sell their food commodities in the local markets as well as in the neighbouring towns, were able to gauge the minds of their customers and accordingly, they could change the quality and presentation of their produce. This also brought about an increase in confidence, apart from better price recovery. Based on the consumers' demand, the farmers could take up cultivation of different varieties of fruit and vegetable crops.

Such direct marketing can be promoted throughout the country. This can be done by allocating some common places in the towns for weekly markets, where farmers can bring their produce, as is done in Andhra Pradesh through Ryat (farmers') bazaars. To facilitate easy transportation of farm produce, buses plying to villages should have additional storage space. The commodities sold in market should be exempted from octroi and other taxes.

Apart from such weekly markets, seasonal fairs for agricultural commodities can also be organised during certain fixed periods every year such as before Diwali and Holi festivals or after the harvest of a season, when farmers or their groups can bring their produce in bulk and urban consumers can purchase their annual requirements. Farmers' participation in such trade fairs can help them to understand their consumers better and improve the quality of their produce in future.

Conclusion

There is a need for efficient support organisations to monitor the activities of small enterprises. Prediction of the future demand, introduction of modem technologies, cost control and business expansion are the important areas, where entrepreneurs need regular support. Suitable legal support may also be required to protect the traders engaged in unfair trade practices.

It is better to promote agro-based enterprises in rural areas, as the local people have the required skills and most of the businesses help the entrepreneurs to ensure food security. The outputs of such business have ready demand even in rural areas and hence the market opportunities are

better. With a strong agro-based programme, non-farm activities can also be initiated when the entrepreneurs are more experienced and capable of taking risk and can manage the programme better. Promotion of direct marketing by establishing close interaction between producers and consumers will further enhance the benefits, while encouraging a large number of unemployed rural youth to turn into micro-entrepreneurs and traders. Sustainable agriculture is an important issue in our country. A balance between people, Planet and Profit is necessary to create a sustainable agriculture. Entrepreneurial qualities are important for farmers to find this balance for his particular situation.The participatory approach seems to be a fruitful method to improve entrepreneurial qualities of farmer.

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Lesson 5.4 - Entrepreneurial Opportunities in Service Industries

Learning Objectives

Having gone through this lesson, you may be able to:

- Understand the development of entrepreneurship in tourism industry
- Familiarise with the entrepreneurship culture in tourism
- Appreciate the role of marketing in tourism

Introduction

Public-service institutions such as government agencies, labour unions, universities, hospitals, charitable Organisations, professional and trade associations, etc., need to be entrepreneurial and innovative like business. Rapid changes in technology and society pose a great threat as well as an opportunity to them.

However, public service institutions find it more difficult to innovate due to the focus on existing activities. In the absence of a profit-test, size is the criterion of success and therefore service institutions like to become bigger. A brief description about entrepreneurial opportunies in tourism industry, health care and other service industries are given below:

Most innovations in service institutions are imposed on them by outsiders. "The forces that impede entrepreneurship and innovation in a public service institution are inherent in it, integral to it, inseparable from it." These forces may be divided into three categories.

1.A public-service institution is based on a 'budget' rather than being paid out of its results. It is paid for its efforts out of tax payers or public money. Success in it is defined by getting a larger budget rather obtaining results.

1. A service institution is dependent on a multitude of constituents. It has to satisfy everyone and cannot give up an existing service, however small or uneconomic in search of an innovation.
2. A public-service institution exists to serve a moral rather than an economic mission. It seeks to maximise rather than optimize the quality and quantity of service.

To make public-service institutions more innovative, management guru Peter Drucker suggests the following entrepreneurial policies.

a. The mission should be clearly defined. The focus should be on objectives rather than on programmes and projects.
b. Goals should be realistically stated. For example should be job is to assuge famine rather than 'our jobs is to eliminate hunger".
c. Failure to achieve objectives should be considered an indication that the objective is wrong or at least wrongly defined. It is not rational to consider failure a good reason for flying again and again.
d. Public-service institutions need to build into their policies and practice the constant search for innovative opportunity. They need to view change as an opportunity by rather than a treat.

A change is an opportunity. So, they need to view change as an opportunity rather than a threat.

In a developing country like India, public service institutions play a vital role in social upliftment. But most of these institutions function inefficiently resulting in wastage of scarce capital resources. These institutions will have to be productive if these are to facilitate the development of the country. They will have to learn to be innovators and to look upon environmental changes as opportunities rather than threats.

A. Entrepreneurship in Tourism Industry

During the last 20 years there has been a growing recognition of the importance of entrepreneurship within the tourism industry. Early interest focused on rather general perspectives on the role of transnational enterprises in developing economies. In this context, Rodenburg (1980)

examined the dichotomy between locally owned small businesses and larger organizations based on inward investment. This between such development pathways, but is also stressed the polarized nature of and their increased market share, stands in contrast to the numerical importance of small enterprises.

The aim of this chapter is to examine tourism entrepreneurship, especially in terms of the small firm, within a broader research context by highlighting a number of key issues. These include entrepreneurial cultures, the growth of the small firm, and the role of small firm network within tourism destinations. The chapter starts with a short discussion of entrepreneurial and its position within studies of small firms.

Tourism in India

India has unique blend of ancient cities and monuments, old civilization, spectacular natural scenery, rich wildlife reserves, water resources, in history with ancient cities, full of architectural and cultural attractions. In the far northern region there are immense possibilities of adventure tourism specially of winter development and numerous summer destinations due to its relatively cool climate, magnificent lakes and mountain scenery. Many of the hill stations or mountain resorts in the foot-hills of Himalayas were set up during British time in the nineteenth century to escape the heat of the plains.

India is a country, with a large treasure of natural and scenic beauty, archaeological and architectural monuments. There are many hill resorts, beach resort, mountains, rivers, monuments etc., The Indians are well known for their hospitality. An African Scholar Writes "India is a country with too many people, too many animals, too many customs, too many gods and too much of anything"

The Northern part of India is famous for its hills, plains, rivers monuments etc., the Himalayas, Kashmir valley, the Ganges, the Jajmahal, the Kutubminar, religious centre like Varanasi, Badrinath attract large number of tourists. Tourism infrastructure like attractions, accommodations, accessibility and other amenities are well developed in those regions. Further its attractions are well projected. In spite of all these this region has no natural beach which cannot be substituted by anything else.

The Western regions has Tourist centre like the gate way of India, Bombay (Mumbai) and famous beaches, the cave (Temples-Ajantha-Ellora etc., these centre are fairly well promoted and developed, the supporting facilities like accommodation, transport etc., were fairly developed. Bombay (Mumbai) is a main seat of commerce and it has the maximum number of international flights. GAO beach attracts foreign and Indian Tourists. But compared to the Northern region, it receives a less number of tourists.

The southern regions have many temples, beaches, hill resorts cultural heritage etc. places like Madras, Bangalore, Trivandrum etc, are internationally known. In spite of this, south has not attracted that large number of tourists as the Western and Northern regions. Because south was not sufficiently projected abroad.

The Eastern Region has tourist attraction like the Ghir forest, Pilgrim centre, like Konark, Industrial centre like Calcutta. Less number of tourists comes to this region due to lack of information, promotion and transport and other facilities. But the state Government takes better promotional measures.

The tourists flow to a particular centre is determined by factors like distance, time, cost of getting to and staying cultural ties, security etc.

Eastern region attracts lesser tourists because it is located away from the main centre like Delhi and Bombay (Mumbai). Apart from the location factor, lack of opportunities, security the southern region the season for lesser tourists may be that only few international flights come to the south west compared to the North or the West. But now things are improving.

In the western part we have unique breach resorts along the lagoons of Malabar coasts. The east Indian region have beach resort on the Bay of Bengal and religious centres of Orissa. South India is full of temples.

The tourist attractions of Indian are rooted in the exotic culture and landscapes. Special mention could be made of the class tourist excursions circuits, culture and landscapes, shopping facilities and many other unknown areas with so much to offer to the tourists.

Most foreign tourists arrive in India by air to the major international airports. There are many private airlines operating the international flights. The Ministry of Civil Aviation and Tourism was set up in 1967. Investment in tourism was included in five-year plans. India Tourism Development Corporation was established in 1965-66 to provide necessary tourist infrastructural facilities and to run hotels, restaurants and transport units in important tourist centres all over the country.

The development of means of communication and electronic media have done much to revolutionise the basic structure of the travel and tourism industry. Air transport and shipping services form a wide network. Rail communication in controlled by the central Government and roads are managed by the concerned states.

Tourism Attractions in India

India is the land of myriad experiences and exotic locales. It is a world of resplendent colours and rich cultural locales, be it magnificent monuments, heritage temples or tombs. The Country's ancient cultural heritage is inextricably linked to its technology driven present existence. The co-existence of a number of religions and cultures, together with an awe-inspiring topography makes it the perfect place for a complete holiday experience. This largest democracy in the world is also home to the oldest civilization in the world the Indus valley civilization. It is land of variations, where you can find diversity in landscape, climate, appearance, food, clothing, language, religion, culture and tradition.

This makes India an interesting place to spend your vacations. India has the right tourism potential and attractions to captivate all types of tourists, whether they seek an adventure tour, cultural exploration, pilgrimages, visit to the beautiful beaches or to the scenic mountain resorts. Here are some of the attractions, which have and still are captivating thousands of tourists year after year.

India is a land of scenic beauty with its snow-capped mountains, lush green fields, verdant hills and white-foamy rivers. India boasts of many world heritage sites as well as world-famous palaces and monuments. The temples of Southern India are indeed examples of architectural wonder. India is a perfect haven for the tourists. Every year tourists flock in droves

to explore the spectacular beauty of this splendid country. The tourism industry is a burgeoning industry in India. The travel and tour operators of India are the key players of the Indian tourism industry. The Best of India can be offered to tourists. The tourist attractions of India are given in table.

Attractions of India

Great Indian Himalayas	Temples & Beaches of South India
Bengal Tiger	Wildlife Parks & Sanctuaries
Palace on Wheels	Delhi - Capital City of India
Kerala Backwaters	Kashmir - Paradise on Earth
Goa Beaches	Darjeeling - Queen of Hill Station
Kerala Beaches	Himachal - Abode of Eternal Snow
World Heritage Sites	Pondichery - The French Aura
Taj Mahal	Ladakh - The Moonland
Khajuraho - Temples	Desert & Safaris
Goa Churches	The Great Golden Triangle
Kaziranga National Park	Palaces of Rajasthan
Manas National Park	Forts of Rajasthan
Keoladeo Ghana National Park	Havelis of Rajasthan
Nanda Devi National Park	Monuments of Delhi
Spiritual and Cultural India	Palakkad Fort
Varanasi Ghats	Bekal Fort
Ganges - The Holiest River	Pushkar Fair
Goa Carnival	Char Dham
Golden Temple	Buddhist Pilgrimage
Heritage In India	

Tourism covers a large area in which state govt. municipal and local bodies play an important role. Some states have set up tourism development corporations, but we can't say that these corporations have been successful in their trial. Govt. agencies have very severe limitations. Private entrepreneurs have to come forward to take initiatives.

Travel and tourism has played a vital role in the development or modern civilizations. Discoveries of unknown areas, trade in tangible and intangible products and exchange of culture and knowledge are the result of travel. In this book and effort has been made to understand the concepts

of travel and tourism and provide and insight into the development and operation of the various elements of tourism and its being a dynamic force for regional growth and development. These major components, on the one hand are industries with the travel industry, and on the other, are industries in their own right. An industry is defined on the basis of product. Some writers have avoided the term 'tourist industry' and taken over what it described as the 'tourist system' (Gunn, 1988). Such a terminology uses the notion of components which would include the tourists, the transporters, the attractions, the ancillary facilities and the planning and promotion of a place.

The tourist product is what attracts the tourists to a place. It includes the primary elements such as historic buildings, urban landscape, museums, and art galleries, theatres, sports and events. There are other facilities which are important for experience of the tourists. Hotel, food beverage facilities, shops and other services are generally put in the category of secondary elements. Figure shows the linking of tourism support services.

The planning and developed of a tourist region is involved in the physical resources or product components, analysis of potential visitors, cost of developed, pricing policies, competitive destinations and other financial aspects to determine the feasibility of development, environmental, cultural and social aspects.

The major elements included in planning for regional development are:

a. Market analysis
b. Assessment of available resources:

(vi) Visitors attractions
(vii) Cultural attractions
(viii) Manpower resources
(ix) Infrastructure
(x) Superstructure
(xi) Transportation
(xii) Support services
(xiii) Visitors accommodation.

c. Marketing
d. Economic and financial analysis
e. Environmental
f. Social aspects.

Systematic and orderly development of a tourist region lies in good planning for controlled development, awareness, and concern on the part of host communities and government, and careful monitoring of actions, education and understanding rights and responsibilities of both host and visitors.

Entrepreneurial Cultures in Tourism

The majority of work on tourism entrepreneurship has focused on the small firm and its operating characteristics, especially those relating to the owner-manger. Early work utilized Goffee and Scase's (1983) model of organizational structures and entrepreneurial characteristics (Shaw and William 1990).

This basic model identifies four main types of firm, ranging from the self-employed through to owner-directors. Within the tourism sector, studies emphasized the relatively large numbers of self-employed and small employers who comprise much of the holiday accommodation sector.

Another important characteristic of entrepreneurs within tourism concerns their role as cultural brokers within communities. They can act as important bridges between the world of the tourist and that of the local community, since they may be members of both (jafari 1989). Viewed in this way, tourism entrepreneurs are important in the cultural exchange within tourism and are strongly embedded in these processes. Increasingly, this dual role of entrepreneurship is being recognized in terms of the small-scale enterprise within sustainable tourism.

It is important to recognize that three is a series of entrepreneurial cultures within tourism that range from a strong preoccupation with economic motives through to those concerned more with non-economic ones. In this sense, the concept and definition of the entrepreneur is more complex and reflects the need to adopt different forms (Swedberg 2000). As previously recognized economic perspective of the entrepreneur stress the

notions of creativity, innovation, risk-taking and, above all, the pursuit of economic growth. In contrast, sociological and psychological perspectives highlight the knowledge, background characteristics, and personality traits of the entrepreneur. As various authors have argued, there is creasing evidence to show that lifestyle factors and non-economic inclusive of these ideas.

The growth of such entrepreneurs is relatively recent phenomenon and appears to be a direct response to the niche markets provided by the changes in tourism consumption associated with postmodernism, and the growth of the experience economy. Such trends have seen the growth of ecotourism, home stay, adventure tourism, and the backpacker market, for example, and provide new business opportunities. These range of from backpackers hostels to specialized travel agents marketing ecotourism holidays on the internet. It would be wrong to assume, however, that all such enterprises are motivated by life/ethical motives, as many of the tourism dot.com businesses embrace a number of the features of traditional entrepreneurship, including risk taking and innovation, behaving more like Schumpeterian-type entrepreneur.

So-called life style entrepreneurs who are motivated less by profit and more by non- economic factors. Early work by shaw Williams(1998) identified two subgroups:

(1) those termed "non-entrepreneurs" who had usually taken early retirement to tourism destination and had little desire to develop their business. They were motivated by a certain type of lifestyle that fitted their semi-retirement status. Many were also characterized by low levels of managerial skills and expertise.

(2) more ethically bounded lifestyle entrepreneurs of the type identified by Atelijevic and Doorne (2000),who were interested in developing certain types of niche tourism products and had strong interests in environmental issues. These tend to be younger people and may also share some of the characteristics of the "constrained" entrepreneurs recognized by Shaw and Williams. Constraints may either be based on a lack of capital for expansion, or an unwillingness to develop and compromise lifestyle goals, i.e., people whoa want to stay within ethical, usually environmental, boundaries.

Business-oriented entrepreneurs whose motives are mainly economic. Here it is possible to recognize entrepreneurs in the Schumpeterian sense, who are capable of growing their business and t hose whose development may be constrained by various financial barriers. It seems likely that these comprise the majority of small business operators within the tourism industry, certainly with the accommodation sector.

Small-scale enterprise operate within specific tourism destinations tend to dominate the industrial structures of such areas. As such, they are a key component in determining the development of tourism destinations.

The increase interest in tourism entrepreneurship has not only produced a broader research agenda, but also highlighted some key characteristics of the small-firm economy. A wider range of case studies has confirmed the economic marginality of many small enterprise and the different motives for operating such businesses. The recognition of an increased number of more ethically driven entrepreneurs concerned with certain lifestyle values has also highlighted a type of entrepreneurial culture which is associated with the shifting consumption patterns of postmodernism. Such enterprise would also appear to fit more closely with the increasing demands for more sustainable forms of tourism production based on community-levels needs – although this needs to be viewed critically. This adds to a complex typology of the entrepreneurial cultures that are being identified within the tourism sector.

While such lifestyle motives are clearly important, it should be remembered that in many other cases it is more profit-driven motives that are driving forward small businesses. In this context, we still knew little about how small enterprises grow and achieve economic maturity. One recent area of growth has been the impact of the "dot.com revolution" on certain types of specialized travel agency: as yet, the growth of this form of tourism entrepreneurship remains a significantly under researched theme.

Entrpreneurship in Accommodation Sector

The accommodation sector comprises widely differing forms of sleeping facilities which can be conveniently categorized as either serviced (in which can be conveniently is provided) or self-catering. These are nor water-tight categories since some forms of accommodation, such as

holiday camps or educational institutions, may offer serviced, self-service or self-catering, but they will help in drawing distinctions between the characteristics of two categories.

A feature of the industry is that, as mass tourism has developed, so have the large chains and corporations in the accommodation sector. Hotels and motles are reaching a stage of development in which a few major companies have come to dominate the international market. This expansion has been achieved not only through ownership but also through franchising, whereby hotels and motels are `perated by individual franchising, whereby hotels motles are operated by individual franchisees paying royalties to the parent company for the privilege of operating under the brand name. this form of expansion has been used with great success around the world by the largest hotel company in the world, Holiday Inns. Since these chains market their products more aggressively, advertising extensively at home and overseas and establishing links with the tour operators, they tend to play a more significant role in the industry than even their market share might suggest.

In an effort to counteract this influence, a number of independent hotels are now banding together to form marketing consortia to provide a more effective and centralized marketing effort. Consortia such as Best West Hotels, Inter Hotels and Prestige Hotels provide a strong marketing challenge hotel chains and an attractive alternative to the tour operators.

Attraction Related Factors

The locale may include the holiday destination and what is offers to the tourist. The holiday destination may offer natural attractions like sunshine, scenic beauty or sporting facilities etc. the locale with its attractions and amenities, is the most important as these are very basic to tourism. Unless these are there, the tourists wuill not be motivated to go to a particular palce. However, since interests are tastes of tourists very widely, they might choose from a wide range of attractions available at various destinations all over the world.

Tourist demands are also very much susceptible to changes in fashion. Fashion is an important factor in the demand for various tourist attractions and amenities. The tourists who visit a particular place for its

natural beauty may decide to visit some other attractions due to change in fashion. Peter has drawn up an inventory of the various attractions which mostly influence the preferences of tourists. The five categories are given in the following table

Peter's Inventory of Tourist Attractions

Nos	Attraction related factors	Attraction features
1	Cultural	Sites and area of archaeological interest; Historical buildings and monuments; Places of historical significance; Museums; Modern culture; Political and educational Institutions: Religious institutions
2	Traditions	National festivals; Arts and handicrafts; Music; Folklore; Native life and customs.
3	Scenic	National parks, Wildlife, Flora and fauna; Beach resorts; Mountain resorts
4	Entertainment	Participation and viewing sports; Amusement and recreation parks; Zone and oceanariums; Cinemas and theaters; Night life; Cuisine
5	Other attractions	Climate, Health resorts or spas; Unique attractions not available elsewhere

According to Robinson, the attractions of tourism, to a very large extent, geographical in character. Location and accessibility (whether a place has costal or inland position and the ease with which a given place can be reached) are important. Physical space may be thought of as a component fort here are those who seek the wilderness and solitude. Scenery or landscape is a compound of landforms, water and vegetation and has an aesthetic and relative value. Climate conditions, especially in relation to the amount of sunshine. Temperature and precipitation & snow as well rain) are of special significance. Animal life may be an important attraction, firstly, in relation, to bird watching or viewing game in their natural habitation secondly, for sporting purposes, e.g. fishing and hunting.

Man's impact on the natural landscape in the form of settlements, historical monuments and archaeological remains is also a major attraction. Finally, a variety of cultural features- ways of life, folklore, artistic expressions, etc, provide valuable attractions top many.

Entrepreneurship in Travel Industry

The industry is developed at a fantastic rate. It has mushroomed tremendously in the last few decades and has become an important factor in the economy of many nations. Thousands of people are wholly dependent upon the industry for their livelihood.

Travel is ranked as the fastest growing occupation in India. The number of full-time travel agents is on the increase. The travel industry employs millions of workers, making it one of the largest employer. It comprise different businesses, ranging form travel agencies and tour operators to cruise lines and lodging establishments. Transportation and transportation related business, including airline, railways, and ship lines, employ large number of Indian workforce. Many private/public schools, colleges, government institutions and universities offer level education programmers. The graduates of these organizations are eventually employed by a diversity of travel related businesses.

Investment in Tourism

This topic deals with the requirements of finance, the sources and the methods by which funds may be channeled form the sources to meet the requirement. Tourism raises certain problems relating to investment and profitability. Tourism investments in developing countries are extremely heavy both in infrastructure and superstructures. As interesting tourism policy needs considerable capital investment.

Tourism demands considerable investment. A high proportion the capital outlay is spent on fixed assets. Accommodation units, land purchases, buildings and infrastructure facilities. According to Medlik about 90% of capital investments in hotel development came into fixed asset category. Variable assets account for a small proportion of the capital outlay. The fixed cost of operation forms high proportion of total costs and such fixed costs have to be paid whether or not the hotel is open to visitors.

Medlik says that after allowing for overheads (depreciation and interest on capital employed), profit amounts on average to about 10% of sale revenue. According to him there is a difference in profitability depending upon the sale-mix of an establishment. Accommodation services yield the highest rate of profit (15%), whereas food (10%) and liquor (7%) comparative yield less profit.

Requirements of Finance

The tourism organization in every country looks after the development promotion and administration which includes training programmes and research. Finances is required for these functions. The formulation and physical development of tourist product requires large capital investment in the infrastructure and in individual facilities. In the developing countries, particularly in new tourist areas, investment in infrastructure must precede investment in individual facilities. It represents a greater proportion of the total investment.

For example, in the development of the Kovalam Beach or Gulmarg areas in India almost 70-80% of the total investment requirement was for project like roads, parks, and clearance services etc. and 20-30% for railway, accommodation and other individual facilities. It all requires a long –term finance. Even inspite of the completion of these individual items, long-term finance is required for modernization and extension schemes. The short-term finance is also required for the maintenance of the infrastructure and for individual facilities.

Tourism promotion also calls for current financing of the media employed. A large part of the budget of most tourist organization is employed for financing the media.

The finance is also required for operating expenses of tourist organization. It includes all costs of the organizational structure.

Tourism is a capital intensive industry, where profitably is long-term oriented. Even the most developed countries, where vast travel plant, modernization, expansion and related training programmes are taken up, require large investment and are feasible only with state assistance.

Sources of Finance for Toursim Development

Issues in and approaches to organization in tourism are closely related to questions of finance in tourism. For the sake of convenience it would better to separate the requirements of finance, the sources and the methods by which funds may be channeled from the sources to meet the requirements.

In most countries there is a mixed pattern of financing in tourism, from public and private funds on the one level of vertical structure on the other hand. The former is considered appropriate, provided that the respective contributions of public and private funds are determined rationally as a matter of policy.

To meet the development, promotion and other financial requirement of the tourist organization, four sources may be identified. They are as follows.

a) Government
b) Industry
c) Tourist
d) Tourist Organisation itself

Government

The government contributes to the financing of tourism development at the national, regional and local levels. The economic benefits of tourism being quite spread, the Government enhances the materials well being of the community through its contribution. Even in a market oriented economy it is considered legitimate for the government to intervene financially in circumstance in which private enterprise amy not be able or willing to do so adequately; this may happen in the initial stages in the development of tourism and also subsequently. For maintaining healthy balance of payments, to which tourism contributes significantly, the Government provides finance for tourism development.

Industry

The main beneficiaries from tourism are the provides of tourists services, i.e., the entrepreneurs operating under the tourist organization. In case of integrated structure of tourist organization consisting of

membership participation, individual interests lead the members to contribute to financing the investment by the organization i.e., the members pay subscriptions in view of future returns. The entrepreneurs finance the tourism organization in proportion to the benefit they receive from the tourism organization in proportion to the benefits they receive from the tourism activities. Government may not directly benefits from such financing for the promotion of tourism organization benefits accure to it through tax revenues. It may be argued that the entrepreneurs prosperity or otherwise is at least in part due to the tourist organization which should be able to call on their financial support.

Tourist

The tourists are themselves a major source of financing of tourism development. Through the payment they make for the services they including and element of tax many of them are in fact the main contributors.

Tourist Organization

A tourist organization itself may generate income for its purposes through income from other sources, as it is often in a position to earn revenue for the provision of particular services.

Tourism Finance Corporation of India (TFCI)

As decided by the Government of India, IFCI along with other all Indian institutions and Banks has sponsored the Tourism Finance Corporation of India Limited (TFCI) as a separate all India Institution to cater to the specialized needs of the tourism and related projects. TFCI was incorporated as a public limited company on the 27th January, 1989 and became operational effective from the 1st February, 1989, pursuant to the receipt of certificate of commencement of business form the Registrar of Companies, New Delhi.

Resources

The authorized share capital of TFCI is ₹ 100 crores out of which the initial paid-up share capital is ₹ 50 crores, subscribed by IFCI,IDBI,ICICI, UTI, LIC, GIC, SBI, Canara Bank and Bank of India and employees/

Directors. TFCI will also issue bonds, which will be guaranteed by government pf India for mobilizing resources. The TFCI has been declared a public financial institutions by the Ministry, Department of Company Affairs. In 1994 TFCI collected ₹ 5,11,32,300 by issuing 170,44,100 shares of ₹ 10 each at a premium of ₹ 20 each.

Objectives

TFCI provides financial assistance to enterprises for setting up and /or developed of tourism, tourism related activities and services, which inter-alia include hotels, restaurants, holidays resorts, amusement parks and complex for entertainment, education and sports, safari, parks, rope-ways, cultural centres, convention halls, transport, travel and tour operating agencies, tourists emporia, sports facilities etc. Besides, TFCI would also be coordinating and formulating guidelines and policies related to the financing of such projects. TFCI would also have a development role within the overall policies of Government.

Forms of Assistance

TFCI provides all forms of financial assistance for new, expansion, diversification, modernization projects in tourism industry and related activities, facilities and services, such as:

1. Rupee loans
2. Underwriting of public issues of shares/debentures and direct subscription of such securities
3. Guarantee for deferred payments and credits raised in India and /or abroad
4. Equipment finance
5. Equipment leasing
6. Assistance under supplier's credit
7. Merchant banking and advisory services

Refinance assistance to state level institutions /banks would continue to be extended by IDBI.

Eligibility for Assistance

TFCI provides financial assistance to projects with capital cost of rupees one crores and above however, unique project which are important from the tourism point of view and for which assistance from state level institutions/banks is not available may be considered on exceptional basis even though their capital cost is below rupees one crore.

Norms of Assistance

A flexible view would be taken in regard to the norms for financial assistance regarding promoter's contribution, debt-equity ratio, moratorium period and repayment period, depending upon the merits and circumstances of each case.

Tourism Marketing

Tourism Marketing includes all direct and indirect promotional activities to sell travel destination. Realistic establishment of goal is the first step in any intelligent marketing programme. Planning a marketing programme should not be the exclusive responsibility of an official organization. Various segment of travel industry must extend their support and cooperation. To achieve the maximum impact, all marketing activities should be closely knit.

While chalking out a marketing programme, one has to take into consideration the following points.

a. Level of economic development of the area
b. Political realities
c. Magnitude of tourist supply components
d. Attitude of local travel trade
e. Local traditional taboos and restrictions

Marketing and Tourism Policy

Marketing affects all the operations of tourism. The investment in modern tourism is particularly very heavy and the establishment of

an adequate infrastructure requires many years. To develop the tourist potentials of a country there is a need of well-planned tourist marketing policy.

According to Krippendorf "Marketing and tourism is to be understood as a systematic and coordinated execution business policy by tourist undertaking whether privated or state owned, at local, regional national or international level to achieve the optimum satisfaction of the needs of indentifiable

Consumer groups and in doing so to achieve an appropriate return"

Following are the main factors in working out a tourism marketing policy.

Prices

Price is an essential element of any marketing policy. The number and type of customers depend on it. In the tourist industry price is a determining factor. In this filed the formation of price is facilitated by the broad range of products that may be offered. For example in a seaside research the product (beach) may be both in first class hotel and the adjacent camping site.

Distribution channels

Distribution sector is constantly developing. It requires regular information about the development of commercial structures. In the tourist industry I, this channel has an important part to play. There are various selling methods which are undergoing drastic changes.

The Sales Forces

The success of a tourism marketing polity depends on the personnel who carry it out. It requires a team of well trained persons. Keeping all this in view-the W.T.O. has set up a correspondence course. The course. The course is called marketing for national tourist organization and tourist enterprise. The course will be helpful to those dealing with tourism.

The Marketing Policy

There are five factors in working out a tourism marketing policy.

a. Tourism Product
b. Tourism Promotion
c. The Price of the Product
d. The Tourist Market
e. The Tourist Transport

Tourism Product

The product plays an important role in the marketing. As far as the tourist is concerned, the products he buys cover the complete experience from the time he leaves home to the time he returns home. A tourist product is not airlines seat or a hotel bed or relaxation of a sunny beach but rather a 'package'. The tourist product is a composite product. As an amalgam of attraction, transport, accommodation and of entertainment. All tourist buy either separately, or as an inclusive to the various components of tourist product than seat or a hotel bed is an individual product in the eyes of their product merely component of a composite-product. The tourist products is what the to offer, viz.

1. Architectural resources
2. Natural resources
3. Museums and monuments
4. Culture

All these things are to be designed and presented according to the requirements of the tourist. There is a need to determine the sector of the tourism market, it is intended to capture. The size of the sector will depended upon the characteristic of the tourist product. For example, a sea-side resort not attempt to capture the same market as safari or a tour of historic castles

The tourist product can be analysed in terms of:

a. Attraction
b. Facilities
c. Accessibility

The attraction are those elements in the tourist product which determine the choice of tourist to visit one destination rather than another, they are factors which generate a flow of tourist to their location. They may be site attractions or those where the place itself is the major inducement to the tourist to visit it e.g. Niagara Falls, the Swiss Alps, The Grand Canyon or built attractions such as Disneyland. The event attractions are those where the event staged is a large factor in the tourist's choice than the site or e.g., the Olympic games, the Oberaminergau Passion Play or a Congress or Exhibition.

The tourist facilities are those elements in a tourist product which do not normally themselves provide the motivation for tourist for tourist flows. The absence of these facilities may deter the tourists from traveling to enjoy the attractions. These facilities complement the attractions. They comprise accommodation facilities, restaurants, ski-lifts, picnic-sites, etc. Absence of accommodation facilities would be an obvious deterrent to tourism.

Accessibility is a last component of the tourist product. It relates to the mode of transportation to the destination chosen by the tourist. It is determined by the proximity of a destination to the tourist place of residence and is best interpreted in terms of time and the cost to reach the destination, i.e., as economic distance.

The concept of the product is central to marketing strategy and this applies equally to the marketing of international tourism. From the marketing point of view, the tourism product is defined as an experience, of the following components taken together.

Accommodation: It is defined as an establishment which on a regular or on an occasional basis provides over night facilities for visitors. They may also provide other services as meals, which are either ancillary to the accommodation as its main business. It includes all hotels and other traditional form of accommodation, such as boarding houses, motels, inns, holiday villages, tourist complexes, comping sites, youth hostels, spas and other places where the construction is of permanent, semi-permanent nature. Private apartment and furnish rooms in private homes are also include under accommodation.

Natural and other resources: Natural resources refer to such amenities and situation such as Waterfalls Mountains, sand beaches and good climate. Natural scenery, springs, beaches, spas and similar resources are also similar resources are also included.

Others resources refer to social, cultural, historical and religious attractions and economic and technological achievements. It also includes man-made attractions such as Taj Mahal, etc.

Entertainment: The entertainment component runs the gamut of all non-sport audience-oriented activity composed of people.

Services: Service include all operations, designed and performed for the foreign visitors are also included.

Transportation: it covers all forms getting people from one place to another. For example, air transport, rail transport, water transport, etc.

Food and Beverages: This includes different types of food and beverages.

Recreation: Recreation includes all non-entertainment activities for relaxation and diversion.

Other Attractions: IN includes items such as shopping opportunities, etc.

The truth is that the tourist destination as a product is a very complex one. When we try to promote a destination, it is not just beauty, the antiquity, the charm of destination that alone counts, there are many other factors which go to make up the product as a whole.

Tourism Promotion

Tourist Markets

The tourist market is used to describe a collective of buyers of each tourist product. The total tourist market may be divided into three major segments:-

i. The Holiday Tourist
ii. The Business Tourist
iii. The Common Interest Tourist

The Holiday Tourist: The holiday tourist has proved to be very sensitive to price changes. It has been regarded as highly seasonal. The introduction of winter package to the seasonal peaking of demand for holidays is being improved.

The Business Tourist: The demand for business tourist is relatively price inelastic. Businessmen are frequent but of short stay. This kind of tourism will be attracted by event attractions in the shape of exhibitions, trade fairs and conferences.

Common Interest Tourist: This category comprises of the following:

1. Visitors to friends and relatives
2. Visitors for educations purposes
3. Visitors for pilgrimages and the like

The demand for this type of tourism will be priced elastic and also sensitive to the absolute level of price.

The national, local or regional tourist organizations are engaged in a marketing campaign to persuade the potential tourists to visit the country for which it is responsible. The official tourist organization will seek to create knowledge of its country in particular markets and to persuade visitors thereby to visit their country. The main function of the marketing campaign conducted by official tourist organization will be provision of information about its country and the resorts within it.

Tourism Marketing in India

It is a multi-dimension force. An effect marketing is premised on planning in its totality, understanding the dynamics of the industry, identifying the inherent satisfaction proposed to be provide, establishing the product-purchases interrelationships of what, why, who, when, where

and getting the how to go about it, implemented by those trained in its several disciplines.

Dynamics of Marketing

The important dynamics of tourism are

1. There are two major segments: global and domestic.
2. Demand is growing
3. Growth is promised or increasing destination is geographically mutli-dimensional.
4. It is an industry of industries, the carriers, the travel trade and hospitality, with hoteliering being the most significant.
5. The composite business has high interdependence between the constituents functioning in parallel in close coordination.
6. There is multiplicity amongst tourists, in the proposes for traveling and in the manner of traveling, individually or collectively.
7. The affluent corporate, apart the vast majority of travelers are from the middle income groups seeking good comparative value, with the tourist amongst these not journeying to change the locale of the bed slept that at home.
8. To the genuine tourist time is valuable, not to be wasted but used to the full for a total memorable experience, in a salubrious setting without hassles and hazards, with case convenience, comfort, cleanliness and in good health.
9. The traveler seeks confidence in being able to feel as much at home in the destination visited as he would in his or her own home.
10. And, above all, tourism is a consumer service industry, dependent on patronage from a multitude of sources, with its income coming from guests, users, customers and contractual arrangements such sub-products as may be offered by each of the three "partners in business", albeit at arms length.

Market Strategy for Indian Tourism

An enduring marketing strategy supported by long-term programmes, for the promotion of India's foreign and domestic tourism and each of its constituents could be based on:

1. Developing an arms-length inter-connected "distribution" cob web, embracing the elements, spread over the globe, buying and selling between each other.
2. Creating and offering "Made in India" unique selling propositions.
3. Aggressive communication at home, especially internationally, jointly within the industry, related to region in India and for "Destination India" internationally, coupled with competitive direct communication by each of the constituents separa-tely, and by each of those within each constituent individually.
4. The industry and those in it, selflessly contributing to the expansion of tourism demand to bake a large cake and from this, competitively carving out a larger share relevant to specific self-interest.
5. Tuning the marketing activity of harmonies with what marketing is all about as described above
6. Exploiting the dynamics of the industry.
7. Broadening the outlook on marketing to its disciplines and diverse element and then planning activity "totality" to cut the narrow shackles that presently impede its full benefits.
8. Training and developing marketing in general and the necessary specialists in particular.
9. Marketing premised on a knowledge-based to be done by knowledge-based managers.
10. Giving marketing a pride of place in the organization that it deserves, removing it form the narrow confine of "selling" and "Commercial" departments.

Entrepreneurship in Healthcare

Healthcare one of the major areas of new venture investing. In recent biotechnology, medical device, and health care service investments have represented between 25 to 30 percent of al venture capital funding. Moreover, because of the role of universities and other research institutions in producing new intellectual property and because of the financial and distribution power of the major publicly traded healthcare companies new ventures in healthcare often include licensing and joint venturing arrangements.

It analyzes current health care environment challenge, identifies roles of managers and discusses organizational theories that are relevant to the health care environment, outlines the role of entrepreneurship in health care, and describes the entrepreneurial manager in the entrepreneurship manager in the entrepreneurial management process to produce desirable organizational outcomes. Current health care environment continues to show intense competition, entrepreneurial managers are responsible for creating innovations, managing change, investing in resources, and recognizing opportunities in the environment to increase organizational viability.

Major forces in the health care environment include rising health care costs, competition, the growth of managed care, expensive technology, aging of the population and increased cultural diversity (Kovner and Channing, 1997: Shortell and Kaluzny, 1997). Faced with solutions for their long-term survival. In fact, many practicing managers are convinced that organizational survival and success "in today's hypercompetitive environment depend on flexibility, innovation and speed" (Meryer and Heppard, 2000). As a result, organizations are striving to create strategies that are entrepreneurial and recognizing the importance of entrepreneurship in their long-term strategic vision.

Entrepreneurship and its relevance to health care organizations through a detailed description of the optimal environment, organizational factors, and managerial roles in the entrepreneurship processes to be especially useful to health care organizations as they struggle to survive in the competitive managed care environment.

Health care organizations exit to serve a variety of purposes and make use of money ownership arrangements. Examples of health care

organizations include: hospitals, health maintenance organizations, continuing care retirement communities, nursing homes, home health agencies and many others. Such organizations have evolved to meet the demands of the constantly changing health care environment.

Health care entities are organized in many forms, including nongovernmental, profit –seeking enterprises; and government-owned entities, which normally are considered self-supporting, but which do not exist to maximize profit.

Self Assessment Questions

1. What is a woman Entrepreneurship? Explain the need for woman entrepreneurship?
2. Explain the nature and scope of women entrepreneurship?
3. What are the constraints and restraints deterring the growth of women entrepreneurs?
4. Suggest the various ways and means of developing women entrepreneurs. Also suggest the type of industries/business that could be suitably established by women entrepreneurs.
5. Explain the role of institutional agencies in promoting women entrepreneurship..
6. What is rural entrepreneurship? and explain its significance.
7. Discuss the role of DWCRA (development of women and children' rural areas)
8. What are the entrepreneurial opportunities available in travel industry?
9. Explain the tourism potential in accommodation sector?
10. What is tourism attraction? How could tap the entrepreneurial opportunities prevailing there?
11. Discuss the essentials of tourism marketing policy.
12. What is the different market strategy for promoting Indian tourism?

Project Report Models

Project Profile for Manufacture of Steel Table (All Types)

1. Product and its Uses

The steel tables are commonly used in offices, commercial establishments, hospitals, commercial establishments, offices etc. The steel tables are widely used. This is creating good market for steel tables in urban and semi-urban areas. Due to certain specific advantages, as mentioned above steel tables are fast replacing wooden tables in rural areas also, as people are preferring steel tables. Beside this there is good scope for export of steel tables. Therefore there is good market potential for steel tables.

2. Production Target

The different type of size of tables costing to ₹ 7,80,000/- is our annual target.

3. Basis and Assumptions

The calculation is based on single shift of 8 hours per day and 300 working days in a year. The rates of machines and raw materials have been taken as prevailing in the market at the time of preparation of project.

4. Production Details and Process of Manufacture

The sheets, tubular steel etc., are cut to required size and pressed to shape, bent in a press brake for table top, sides and drawers. Holes are made by drilling wherever necessary for cutting screws.

Fixing of doors, hinges assembly, cleaning, pickling and drying are to be done before painting. The spray painted articles are to be store-enamelled for better quality and bright and lasting finish.

5. Quality Control and Standards

The following Indian Standard Specifications will provide guidance in purchase of materials and toasting of products:-

IS-3998-1996, IS-3663-1966, Is-4994-1968, Is-4933-1967

6. Land and Building

Covered area 40 × 25 (1000 sq.ft) with 3000 sq.ft open area. 2,000/- PM.

7. Machinery and Equipment

➢ Treadle Guillotine Shearing machine 48" width	1 No.	12,200/-
➢ Hand operated press break machine capacity 14 SWG × 1800m (Sheet bending)	1 No.	15,700/-
➢ Spot Wolding machine 10 SWG with accessories	1 No.	6,100/-
➢ Hand operated hydraulic tube bending machine 25mm × 36mm capacity with all dyes.	1 No.	2,125/-
➢ Pillar drilling machine 1½" Cap		9,500/-
➢ Oxy-acetylene gas welding set	1 No.	3,000/-
➢ Air compressor with electric motor (1 HP) and spray gun.	1 No.	6,550/-
➢ Power press 5 ton capacity inclinable un-geared, adjustable stroke for cutting, em-bossing with 1 HP electric motor, hacksaw 6" jaw capacity.	1 No.	16,200/-
➢ 71,375/-		
Add: 10% C.S.T etc.	-	7,137/-
➢ 10% Erection charges and contingency charges	-	7,137/-
		85,645/-
➢ Office furniture	-	4,000/-
➢ Hand tools, dyes	-	4,000/-
TOTAL	-	93,645/-
SAY		94,000/-

8. Staff and Labour

i)	Supervisor	1 No.	800/-
ii)	Skilled labour	3 Nos.	1,500/-
iii)	Semi-skilled labour	5 Nos.	2,000/-
iv)	Clerk-cum-Accountant	1 No.	700/-
v)	Peon-cum-watchman	1 No.	400/-
		TOTAL	6,42,587/-
		SAY	6,42,000/-

9.Total Sales (Per Annum)

As per production target:

i)	1220 × 610 × 750 mm 200 Nos. 1,100/- each	2,20,000/-
ii)	1525 × 760 × 750 mm 200 Nos. 1,400/- each	2,80,000/-
iii)	500 × 610 × 750 mm 400 Nos. 700/- each	2,80,000/-
	TOTAL	7,80,000/-

10. Profitability

Profit = Total sales – Cost of production = 7,80,000 – 6,42,000 = 1,37,400/-

$$\% \text{ Profit on Sale} = \frac{1{,}37{,}400 \times 100}{7{,}80{,}000} = 17.60\ \%$$

$$\% \text{ Profit on Total capital investment} = \frac{1{,}37{,}400 \times 100}{2{,}45{,}200} = 56.00\%$$

11. B.E.P (Break Even Point)

Fixed Cost

i)	Rent 12 × 2000		24,000/-
ii)	Interest		30,650/-
iii)	Depreciation		7,137/-
iv)	40% salaries	$\frac{40 \times 12 \times 5400}{100}$	25,920/-
	40% other expenses	$\frac{40 \times 12 \times 6500}{100}$	31,200/-
		TOTAL	1,18,970/-
		SAY	1,18,900/-

$$\text{B.E.P} = \frac{\text{Fixed Cost} \times 100}{\text{Fixed Cost + Profit}}$$

$$= \frac{1{,}18{,}900 \times 100}{1{,}18{,}900 + 1{,}37{,}400} = 46.38\%$$

12. Names and Addresses of Machinery and Equipment Suppliers

1. M/s. Ashok Brothers, 37, Panchkuion Road, New Delhi-110 001.
2. M/s. Machine Tools Traders, P.B.No. 1260, 57A, Lingichetti St., Chennai-600 001.
3. M/s. Perfect Machine Tools Co.,(P) Ltd., Bell Building, Sir Phirozshah Mehta Road, Mumbai-400 001.

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