

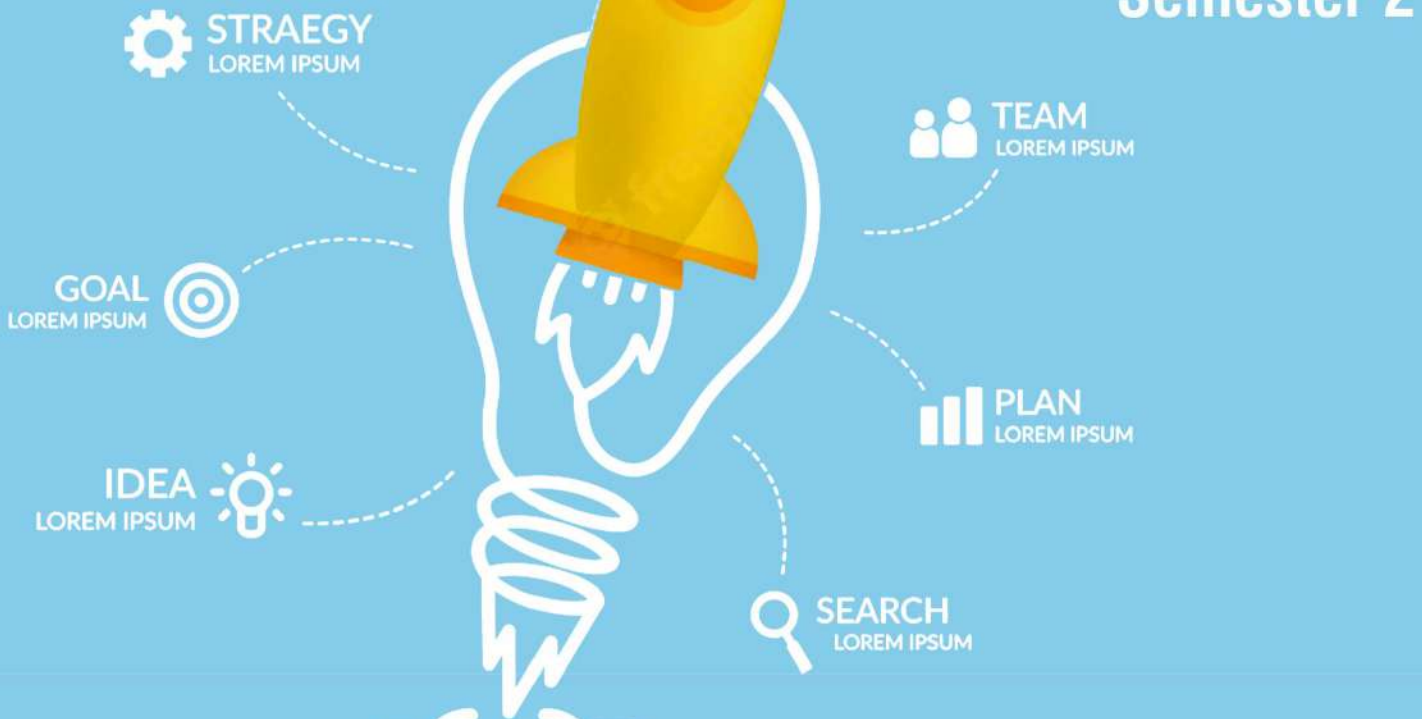


**BAOU**  
Education  
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# DR. BABASAHEB AMBEDKAR OPEN UNIVERSITY

(established by government of gujarat)

**MBA02C206**  
**Semester 2**



# ENTREPRENEURSHIP MANAGEMENT

## Message for the Students

Dr. Babasaheb Ambedkar Open (University is the only state Open University, established by the Government of Gujarat by the Act No. 14 of 1994 passed by the Gujarat State Legislature; in the memory of the creator of Indian Constitution and Bharat Ratna Dr. Babasaheb Ambedkar. We Stand at the seventh position in terms of establishment of the Open Universities in the country. The University provides as many as 54 courses including various Certificate, Diploma, UG, PG as well as Doctoral to strengthen Higher Education across the state.



On the occasion of the birth anniversary of Babasaheb Ambedkar, the Gujarat government secured a quiet place with the latest convenience for University, and created a building with all the modern amenities named 'Jyotirmay' Parisar. The Board of Management of the University has greatly contributed to the making of the University and will continue to this by all the means.

Education is the perceived capital investment. Education can contribute more to improving the quality of the people. Here I remember the educational philosophy laid down by Shri Swami Vivekananda:

***“We want the education by which the character is formed, strength of mind is Increased, the intellect is expand and by which one can stand on one’s own feet”.***

In order to provide students with qualitative, skill and life oriented education at their threshold. Dr. Babaasaheb Ambedkar Open University is dedicated to this very manifestation of education. The university is incessantly working to provide higher education to the wider mass across the state of Gujarat and prepare them to face day to day challenges and lead their lives with all the capacity for the upliftment of the society in general and the nation in particular.

The university following the core motto स्वध्यायः परमं तपः does believe in offering enriched curriculum to the student. The university has come up with lucid material for the better understanding of the students in their concerned subject. With this, the university has widened scope for those students who are not able to continue with their education in regular/conventional mode. In every subject a dedicated term for Self Learning Material comprising of Programme advisory committee members, content writers and content and language reviewers has been formed to cater the needs of the students.

Matching with the pace of the digital world, the university has its own digital platform Omkar-e to provide education through ICT. Very soon, the University going to offer new online Certificate and Diploma programme on various subjects like Yoga, Naturopathy, and Indian Classical Dance etc. would be available as elective also.

With all these efforts, Dr. Babasaheb Ambedkar Open University is in the process of being core centre of Knowledge and Education and we invite you to join hands to this pious *Yajna* and bring the dreams of Dr. Babasaheb Ambedkar of Harmonious Society come true.



Prof. Ami Upadhyay  
Vice Chancellor,  
Dr. Babasaheb Ambedkar Open University,  
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**SEMESTER-2**  
**ENTREPRENEURSHIP MANAGEMENT**  
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**Dr. Babasaheb Ambedkar Open University**  
(Established by Government of Gujarat)

## **ENTREPRENEURSHIP MANAGEMENT**

### **SEMESTER-2**

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**1.0 INTRODUCTION****1.1 EVOLUTION OF ENTREPRENEURSHIP****1.2 CHARACTERISTICS OF ENTREPRENEURSHIP****1.3 PROCESS OF ENTREPRENEURSHIP****1.4 ROLE OF ENTREPRENEURSHIP IN ECONOMIC  
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**1.0 INTRODUCTION**

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Entrepreneurs have remarkably refashioned their role following new economic trends and improvised modes of governance. There has been a drastic change in the West in industrialization and economic development. Innovation in new product development has brought competitive pressure on industries to make good quality product with high productive capacity. This has brought in a new era of business. So let us first understand how the entrepreneurship evolved.

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**1.1 EVOLUTION OF ENTREPRENEURSHIP**

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Entrepreneurship is believed to be the process which is undertaken by an entrepreneur in his enterprise. Entrepreneurship is the process to set-up one's own business that includes various activities like employment, economic activity and profession. Entrepreneur is a person who does set-up a business and enterprise which is the outcome of the process. Hence here there are three terms to be understood – entrepreneur, entrepreneurship and enterprise. So, let us understand the terms first.

**Entrepreneur:** Entrepreneur is a person who is a risk taker, who believes to bring changes in the economy by creating various opportunities. Entrepreneurs give air to new ideas into opportunities, which encourages new innovation and a competitive market with various opportunities for global economies. This helps in growth of nations economy where such entrepreneurs help in creating new products and services that lead to opportunities in wealth and employment generation, payment of taxes for government and hence leading towards an income for all.

Entrepreneur term originates from a French language – *enterprendre* which means 'to undertake' or 'to initiate'. So, entrepreneur is a person who is believed to be a risk taker and has a passion to develop a new enterprise or venture with a new idea and assumes its significant responsibility.<sup>1</sup> French economist Jean-Baptiste Say was believed to have created the word

## INTRODUCTION TO ENTREPRENEURSHIP MANAGEMENT

'entrepreneur' in around 1800, where he defined it as, "one who undertakes an enterprise, especially a contractor, acting as intermediate between capital and labour."

**F. B. Hawley** in 1882, added the term risk taking characteristics as one of the features of entrepreneur, who was believed to be a person to take risk on land, labour and capital.

**J. A. Schumpeter** added the term *innovator* for an entrepreneur, who believes in introduction of new products, markets, sourcing of various options for raw-materials, and establishment of new business.

An entrepreneur is believed to be the key person behind every success of a firm, where he selects the best team of managers who are right for his firm to achieve the goals. He is believed to be a person who has qualities to lead his firm, with proper team building and ability to manage the essential requirements for his firm. Hence an entrepreneur is believed to be a leader.

Hence an entrepreneur is believed to be a leader, risk taker, an innovator and an organiser.

**Enterprise:** It is the business unit that is developed as an outcome of the whole process carried by an entrepreneur.

**Entrepreneurship:** Entrepreneurship is the process, where the entrepreneur invests his/her time and efforts in creating something new, with an assumption that the risk which is taken would give rewards in future. So, the first objective in creation process is to create something new, second comes devotion towards time and efforts that make the first objective operational.

Let us first understand how entrepreneurship evolved:

In early 16<sup>th</sup> century, the concept of entrepreneurship was applied to those people who were involved in Military expeditions. In the 17<sup>th</sup> century, the French word *entreprendre* evolved, which referred to an individual who took risk for new business said as „undertakers“. These people were believed to be the contractors who took risks for profit or loss. Richard Cantillon, an economist and author in 1755, viewed in his earlier theories that mentioned about an entrepreneur as a „risk taker“, who bought properties at a certain price and sold it at an uncertain price, hence taking risk. Cantillon was believed to be the first thinker who defined entrepreneur as an agent. He has classified these agents as landowners and hirelings.

In the 18<sup>th</sup> century, concept came in with a person with capital being different from person who needed capital. Hence the concept of venture capitalist came into picture – the one who did provide capital. This concept emerged when inventions were changing the world. Eli Whitney and Thomas Edison were developing new technologies but were not able to finance themselves for the invention. Hence here, a venture capitalist took risk in investing his money for new invention with a thought to earn high rate of return on his investment. Hence from here, the concept of venture capitalist emerged.

In the late 19<sup>th</sup> century and the early 20<sup>th</sup> century, the concept of distinguishing entrepreneurs from manager emerged. In 1921, Frank Knight emphasized on

market dynamics as an important factor to be studied and performed by an entrepreneur. Where as in 1934, Joseph Schumpeter argued on earning only profit was not the sole motive of an entrepreneur; 'innovation' was another purpose that created an entrepreneur. Hence during this century, entrepreneur was believed to be a risk taker and innovator. He further extended his study towards emphasizing on usage and combination of various resources, therefore defining various entrepreneurial ventures with innovation in product design, organizing firm and marketing.

Shapero and Sokol in 1982 argued that an entrepreneur has to think of developing entrepreneurship that includes resource gathering, group or individual initiatives taken, risk taking and autonomy. These functions would help the organisation grow and achieve its goals.

Peter Drucker in 1985 acknowledged Schumpeter's innovation theory but also included managerial practices to it. He believed that good skills can be cultivated in the workforce if innovations are thoughtfully implemented with managerial efforts. This would lead to the growth of business. Barreto's (1989) *Entrepreneur is Microeconomic Theory* postulates a neoclassical theory that discusses the disappearance of entrepreneur in economic theory. In modern world, economists have lost track of entrepreneur, where the assumption does not allow a consistent implementation of entrepreneurial behaviour. The role of entrepreneur does not allow the 'real' choice of approach, that may lead towards uncertainty of entrepreneur behaviour. This concept was based on Schumpeter's legacy on outcome of reflection.

Schumpeter's concept included equilibrium theory. To reach equilibrium, he suggested to do the action of decision over and over again in the same manner. Consequently, they would reach the desired result that ends up in equilibrium. He believes in investigating the dynamics and observing the economic change that would lead to illuminating innovations. His concept has been highly used and has become a renowned concept. He firmly held that innovations leading to evolved dynamics of work are possible if only entrepreneurs are involved. Another economist was Israel Kirzner who took Austrian critique for equilibrium theory but was bit different than Schumpeter's.

Kirzner focused on market process. He believed that Schumpeter's theory missed the need of 'market process'. He believed that innovation happens at the micro-level. There are many factors that impact the phenomenon of innovation. Innovation means novelty. This assumption leads to a huge discussion on leading factors towards economic change that happens due to innovation. Based on the thoughts, there were mainly three components that were defined which could affect the entrepreneurial process – entrepreneurial component, human capital and venture capital. These three factors are believed to be individual agents. *Entrepreneurial component* comprises characteristics mentioned by Schumpeterian. Also, there were added points like no stereotype work and accepting that every human-being has potential to think differently and take actions accordingly. *Human capital* mentions about optimum use of human capital that would be used in establishing a firm and providing them remuneration against the job offered to them. Have to consider human capital as a long-run survival for a firm, as they can be considered for both technological as well as for economic competencies too. *Venture capital* comprises capitalists who are the investors and not the entrepreneurs. It is believed that potential

entrepreneurs would require capital to start their business for which they may either invest their capital or borrow from others.. Hence, venture capitalist is a person who helps in regard of securing capital money but he or she is not an entrepreneur oneself.

Many definitions on entrepreneurship exist following ever new developments in the field. A person who takes risks, manages and organizes things to accomplish some tasks, or innovates certain marketable ideas can be called an entrepreneur. He is believed to be an independent thinker who thinks differently from common mass. So, let us understand various functions of entrepreneurship.

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### **1.2 CHARACTERISTICS OF ENTREPRENEURSHIP**

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An entrepreneur is believed to be the key person who takes initiatives, has ability to combine available resources, has management skills, is a risk taker and is self-government and many more. Entrepreneurship means a pre-described activity undertaken by an individual or a group of associated individuals, where they are try to do new things in better manner. If a person or group of associates does not perform the activity or apply the for profit earning that involves uncertainty and involve action application too, then the same cannot be said entrepreneurship. Peter Drucker did mention in his definition that entrepreneurship is a practice and just not science or art. The practice is based on knowledge which has means to an end. So, let us understand various characteristics of entrepreneurship.

Following are the characteristics of entrepreneurship as defined by Vasant Desai (2011):

Accepting challenge – There are various critical factors that an entrepreneur could face such as overpopulation, water facility, lack of technology, less natural resources, etc. So, the role of entrepreneur would be to make the maximum use of existing resources and accepting the challenge of bringing in or creating new products with resources that are minimum in nature or are non-existent.

Organisation – Proper organisation of economic goods and services need to be maintained to make a profit-oriented business unit; to have economic development.

Skilful management – An entrepreneurial process has to be done in skilful manner. The entrepreneur has to have the management skills where s/he has to manage labour, Investors, suppliers, logistics and anyone and everyone who is directly or indirectly connected with business.

Management of the enterprise a success – As per Higgins, entrepreneurship means a function of managing investments, looking for production opportunities, adapting new production process, bringing in more capital investment, fetching labour, arrangement of raw material supply and looking for and selecting the best managers for the business for its day-to-day functions.

Decision making – Entrepreneurial role has to be a decision maker under uncertainty. The role involves doing things differently with newness and in better way.

Risk taking – Attitude of mind that leads towards calculation of risk is said as



entrepreneurship. A true entrepreneur is believed to be a person who believes outcomes in the present situation where others can see no solution. With the support of financial aid, a true entrepreneur is a risk taker who can successfully manage a company that may possibly have the odds such as labour issues or crunch of resources. Despite braving much on all fronts, if the entrepreneur is able to translated one's idea into reality that would eventually help the concerned business and society.

Innovation – Innovation in entrepreneurship is a need for the society development that leads to the development of the economy. Innovation is believed to be realistic than rigid and has to be modest than lavish, which is expected to be flexible and also self- renewing in benefit to the society, economy and public at large.

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### 1.3 PROCESS OF ENTREPRENEURSHIP:

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An entrepreneur has to follow certain process/ steps before starting his business. To start a business, there is more need issues to be resolved than just managing the process or business. **Hisrich R. et. al. (2011)** have defined four stage process that includes – identification and evaluation of opportunities; business plan development; to determine various resources that are required and then managing the business/ enterprise, which would be the outcome. Let us first understand all these phases of entrepreneurial process.

**Step 1 - Identify and Evaluate Opportunities:** One of the most difficult task is to identify good opportunities, where alertness of an entrepreneur would lead to possible opportunity identification. There is no formal mechanism for the same but business contacts, technical people and the people who are involved in distribution system may help. Many time retailers, wholesalers or even manufacturer may help with identifying business opportunity. Once the opportunity is been identified, good technical writing and word-processing services would help develop an entrepreneur. After the same, the entrepreneur needs to identify their potential customers, business associates, and any other channel member or technical people required. The same has to be evaluated based on perceived risk and opportunity with itsreal perceived value and return. After this the market size and length have to be considered on primary basis for determining risk and rewards. Financial investment, gain/return and the success or the future of a new idea need to be evaluated. Required unique skills, company's goal, its uniqueness and competitive advantage are also expected to be evaluated. It also needs to be seen how well the new idea fits an entrepreneur's personal skills and goals. Hence necessary time and efforts have to be invested by the entrepreneur to succeed Feasibility of the work needs to be checked for the same in the competitive environment. Hence, opportunity assessment can be done based on description of product or service; team members; resource availability and source of capital/ finance.

**Step 2 – Business plan development:** The second phase is time consuming but to get a good result of the opportunity that is evaluated, a good business plan would help exploit the same. This process is paper work where a proper project report has to be developed which includes descriptions of business, technical developments , marketing, financial, production, operations and human resources. A proper analysis of the same would help one determine the required resources, their access and chances of success.

**Step 3 – Resource required:** The entrepreneur has to be careful in determining and choosing the utmost efficient resource from among many. He or she needs to differentiate between critically required and casually helpful resources. Care has to be taken not to get associated with insufficient or inappropriate resources. The entrepreneur has to identify the resource gaps and check with his existing or new suppliers from where the resource can be made available. After the same, the entrepreneur needs to develop an access to the resources after getting the same at lowest possible costs and the least of the loss of control.

**Step 4 – Manage the enterprise:** Once the resource procurement is done, the next step for the entrepreneur is to implement the business plan. The execution of the plan would happen here where the entrepreneur needs to understand the key variables that would let lead towards success of the plan. Along with the same, he has to identify the problems or/ and potential problems that may arise and what would be the possible solution for the same has to be defined and implemented. A proper control mechanism needs to be defined that would lead towards the development and growth of the business.

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### 1.4 ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

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Entrepreneurship development does help in the growth of a country's economy that includes increase in per capita output, income, change in business structure and society development. By increase in income of an enterprise that can be achieved by innovation and creativity in market, leads towards wealth generation. There are various aspects that does play an important role for an entrepreneurship that leads towards economic development, which includes innovation, knowledge of new product development, learning and implementing new technologies leading towards technical advancement, help of government for commercializing technology and making the use of new technology for society development. By bringing the change with new technology advancement, the change helps in advancement of the society where employees have to learn new skills, and also the marketing and distribution happens with new ideas and methods that would be used for successful commercialisation. Even with many economies, the government does promote the new methods of business whereby technology and innovation can benefit the society. Entrepreneurial activities do attract banks, suppliers, customers, distributors, marketing agencies and investors, leading to the use of resources for business development. Also, new innovation, new ideas does lead to new tasks and hence to the generation of employment. This format does impact the overall economy leading to the growth and development of both society and economy.

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### 1.5 CONCLUSION

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Entrepreneurship is the process of action that estimates the attitude of mindset and risk- taking ability of an entrepreneur is been calculated. A true entrepreneur is believed to be the one who can find new possibilities with present crisis situation, practice the best ideas and also can source the financial support. Entrepreneurship is a function by which an entrepreneur takes into account both internal and external variables. A developing entrepreneurship is

the process by which an individual can find various information about resource availability and sourcing financial facility. A risk taker with new feasible ideas can help both society and economy in general.

### ❖ CHECK YOUR PROGRESS

#### 1. Long questions:

1. Explain the process of entrepreneurship.
2. What is entrepreneurship? Explain various characteristics of entrepreneurship in detail with example.
3. Do you think, the role of entrepreneurship is important for economic development? Justify your answer with an example.
4. Assume you have just started a manufacturing business, what would be the process

#### 2. Short Notes:

1. Entrepreneurship
2. Process of entrepreneurship
3. Evolution of entrepreneurship
4. Business Plan development

#### 3. Short Question:

1. Difference between entrepreneur, entrepreneurship and enterprise.
2. Definition of entrepreneurship
3. Definition of entrepreneur
4. Definition of Enterprise

#### 4. MCQ:

1. **is the function where the entrepreneur would take into consideration internal as well as external variables.**
  - a. Entrepreneur
  - b. Entrepreneurship
  - c. Enterprise
  - d. None of the above
2. **It is the job of an \_\_\_ to identify the resource gaps and check with his/her existing or new suppliers from where the resource can be made available.**
  - a. Entrepreneur
  - b. Entrepreneurship
  - c. Enterprise
  - d. None of the above
3. **The first step in entrepreneurship process is \_\_\_\_**
  - a. Business Plan development
  - b. Identify and evaluate alternatives
  - c. Resource requirement

- d. Manage enterprise
- 4. An individual who brings new ideas, is a risk taker, a motivator, a creator, and a manager is a \_\_\_\_**
  - a. Manager
  - b. Leader
  - c. Entrepreneur
  - d. Professional
- 5. French economist \_\_ was believed to have created the word „entrepreneur“ in around 1800.**
  - a. Jean-Baptiste Say
  - b. F. B. Hawley
  - c. J. A. Schumpeter
  - d. Peter Drucker
- 6. J.A. Schumpeter added a term \_\_\_\_ for an entrepreneur**
  - a. Innovator
  - b. Invention
  - c. Skills
  - d. Creativity
- 7. In early \_\_\_\_ Century, entrepreneurship concept applied to those people who were involved in Military expeditions.**
  - a. 15<sup>th</sup>
  - b. 16<sup>th</sup>
  - c. 17<sup>th</sup>
  - d. 18<sup>th</sup>
- 8. \_\_\_\_\_ did mention in his definition that entrepreneurship is a practice and just not science or art.**
  - a. Jean-Baptiste Say
  - b. F. B. Hawley
  - c. J. A. Schumpeter
  - d. Peter Drucker
- 9. Entrepreneurship development does help in the growth of a country's economy, that includes,**
  - a. increase in per capita output
  - b. change in business structure and society development
  - c. income
  - d. all of the above

- 10. The government does promote the new methods of business, where the technology and innovation can benefit the \_\_\_\_**
- a. Society
  - b. Business
  - c. Government
  - d. Wholesalers

❖ **MCQ ANSWER :-**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>

**2.1 INTRODUCTION****2.2 GROWTH OF ENTREPRENEURSHIP IN INDIA****2.3 CURRENT SCENARIO OF ENTREPRENEURSHIP****2.4 PROBLEMS AND DIFFICULTIES FACED BY  
ENTREPRENEURS****❖ CHECK YOUR PROGRESS**

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**2.1 INTRODUCTION**

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A business leader known as the entrepreneur, who is believed to be a risk taker, innovator and challenger, puts his efforts to have economic and social development making entrepreneurship one of the important areas for a country's economic development. As entrepreneurship is closely connected with the development of countries economy, it does help a nation to shape the economy by providing employment, products and services. Also, it helps in creating wealth for the economy, reducing poverty and generating taxes for the government. So, we can say that the process of being entrepreneur is entrepreneurship, where resource gathering and allocation, creativity, finance, managerial and technological features are a necessity for a new venture to be successful. Success of an entrepreneurship depends on dedication, creativity and talent of entrepreneurs, where a person has to have ideas, energy and vision to create new business.

India has a strong history of entrepreneurship development that was found way back during the Rig Veda, Indus Valley Civilization and hence it was later influenced by various kings, Mughals, British and then independent India. Let us understand how did entrepreneurship evolve in India and what is the current scenario with issues faced by an entrepreneur.

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**2.2 GROWTH OF ENTREPRENEURSHIP IN INDIA**

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It is said that the roots of entrepreneurship were found back, as old as to the Rig Veda, where metal handicraft was prevalent. The villages were an organised community and the community had diversified workers like artists, farmers and priests. Each one was given the profile of work and where artisans, though considered as servants of the society, protected the society from outside competition. (Lal, 2016)

India also got developed during the era of Indus Valley Civilization. This era, known as the Copper Age, witnessed development of trade and transport technology advancement. Thereafter, during the Harappa civilization period, trade between Central Asia and Iranian countries did develop on pottery, ornaments, seals, etc. during the initial phase and thereafter during the latter phase of civilization, sea trade was invented leading to the development of watercraft that could sail the products. This led to trading with faraway lands.

(Swetha & Rao, 2013)

It is also believed that since ancient times, there were many Indian products that had a good market abroad. Products that it did sell like Dacca's muslin, Banaras's saree, Bengal's calicos, and other cotton fabrics. The Indian muslin was used for Egyptian mummies around 2000 BCE by the Pharaohs. Textile handicraft and industrial products were highly appreciated worldwide. In textile, other than muslin and Banarasi saree, other products like chintze and dhoti, dupatta from Lucknow and Ahmedabad respectively were also sold. Cotton fabric like Kashmiri Shawls, and shawls from Amritsar and Ludhiana were also very famous. Indian artistic work that was famous worldwide were work on marble, stone, jewellery made from precious metal, brass, copper having stones and precious gems, and even wood carving products, etc., were famous. Spices of India were also famous like opium, pepper, indigo, cinnamon, etc.

In India, people worked for their employers. As per McClelland (1961, 1965), Indian culture had entrepreneurship personality where they believed spirituality more than materialism. So, the people in India perform the work for employers which is having much of energy and creativity.

The Mughal Era was between 1500 CE to 1700CE, where the first phase of 100 years did dominate the world with gold and silver flow into the country, also said as '*sone ki chidiya*', in large quantities due to the trades. In the second phase of Mughal Era, British arrived in India where their first step was by buying a business of a Surat merchant named Virji Vora. Thereafter, new ways of doing business were introduced from foreign bodies, that affected the local industries.

During Colonial Era I (1700 CE to 1850 CE), Europe was fast growing into an industrial state and became the attraction for technology innovation. This led to low spirit of Indian entrepreneurs as the colonized India lagged behind the European development. But then efforts were made, and during second phase of Colonial Era (1850 CE-1900CE) railways were setup in 1853. Various other businesses like first cotton mill in Bombay, jute mill, pharmaceutical industry, and steelworks by J. N. Tata were developed. By the third phase of Colonial Era (1900 CE – 1947 CE) was the Change Makers period. Indian entrepreneurs like JRD Tata, Jammalal Bajaj, M. S. Oberai led the business market and brought new innovative products and strategies to expand and grow the business. (Swetha & Rao, 2013)

After independence, the first Industrial Policy was launched in 1968, and after a couple of revisions, it mentioned major two concerns – one, to encourage industrialization and spread the same in cities, villages and towns, and second to spread the concept of entrepreneurship amongst the people of India and make them more of industrially potential people. Post liberalisation, IT and biotechnology sectors started developing, where liberalisation gave a kick start to the growth of entrepreneurship in India. As per the figures of Ministry of Corporate Affairs, between 1980-1991, on an average 14,379 companies were formed per year, whereas from 1992-2000 an average of 33,835 companies were formed per year (Lal, 2016). This should be the good start of entrepreneurship development in the country.

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### 2.3 CURRENT SCENARIO OF ENTREPRENEURSHIP

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India is believed to be a nation with rich natural resources with skilled and unskilled labours available at low cost. Owing to this, India has been one of the preferred nations for investors to develop their venture here. Various initiatives by the government namely Make in India, Digital India and Start-up India also helped. There has been an invitation to international companies by doing international summits in various states such as Vibrant Gujarat Summit that is organised by the Government of Gujarat every year.

There has been a change in three step scenarios for economic growth – first, the entrepreneurs are leaving behind the old methods of work, second, looking for significant investment by investors, and third, focusing more on R&D and innovation. The bold aspirations in India are bringing this change and bringing up the upper-middle-income segment of the country and improving their quality of life. It is predicted that India's GDP may reach to US\$10tr. By 2034, at CAGR (Compound annual growth rate) of 9% in next 20 years. (Kapoor, et al.)

The present scenario of entrepreneurship has changed a lot due to COVID-19 and its effect on business. There has been a rapid growth in digital world and many companies and people have adopted digitisation/ technologies. The economy is also changing, where acceptance of startups has been one of the major drivers for economic growth of the country. New and innovative approaches are being encouraged by the government, seasoned entrepreneurs and even the professionals. Now in India, not only foreign investors are encouraged to invest but even domestic investors also allocate capital to this new era of entrepreneurs. Though there are many investors, innovators and even challengers in Indian market, then too only 11% of the Indian adult population goes for an 'early-stage entrepreneurial activities' and only 5% for establishing owned business as per the survey done by Business Standard.

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### 2.4 PROBLEMS AND DIFFICULTIES FACED BY ENTREPRENEURS

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In India, there are many new sectors that can be developed as business. To name a few– tourism, automobile, textile, software, engineering goods, franchising, education and training, food processing, social ventures, toys, healthcare, biotechnology, Ayurvedic medicine, organic farming, media, packaging, energy solution, floriculture and recycle business. There are ample opportunities in future to transform India. But there are challenges faced too.

Looking at the present scenario and opportunities, there are some challenges faced by the entrepreneurs as follows: (Maheshawari & Sahu, 2013):

1. **Finance** – During the early stage of an entrepreneur in India, getting credit finance is one of the key problems. Even after many practices by the government, new business getting financed by the bank is still difficult. To generate borrowing funds is difficult. The reason for that is a huge middle-class ratio and poverty, because of which, financial support from the family is missing. And due to high interest rate charged by non-bankers, it becomes more difficult for firms to start a



new business.

2. **Family:** Support of family is crucial for becoming a successful entrepreneur. In India, families believe in risk free and easy job life where funding, risk and excess time is not required to be successful. Also, there is a joint family system in most cases that allows the involvement of family members in taking a decision. It is likely that greater involvement of people may create certain challenges to start a business. Besides this, if a family is not into doing business, children are encouraged to find other safer means of livelihood.
3. **Social:** Involvement of society and social environment create the social challenge. Becoming a successful entrepreneur takes time and patience. An earning member is often compared with the success of his or her another counterpart achieving it in short terms. This type of social challenge demotivates the entrepreneur in one's initial phase.
4. **Technological and Education:** The biggest challenge is that new developments in technology do not find their timely and adequate mention in our curricula. The education system needs to incorporate the latest updates for the students to make them aware and equipped that can lead to growing the mindsets of students to make them a better entrepreneur for future.
5. **Policy:** The government has made many changes in the policies to encourage entrepreneurship in the country. Issues like raising equity capital, exploitation, availing raw-material, obsolescence of homegrown technology, pollution are now considered. But entrepreneurs are still not aware as to how to avail the same for becoming a successful entrepreneur.
6. **Regulations and governance:** Starting a new business involves a long process. It includes matters such as locating and registering a business, obtaining various clearances or licenses from the government, higher taxes and labour regulations. Mountainous paperwork, leading to uncertain delay, creates unnecessary burden for an entrepreneur that may affect the productivity and skill of the business.

An entrepreneur also faces the following difficulties:

1. **Planning issue:** Many entrepreneurs presume that a business will be a success if only funds are procured and sales are managed. It is but an issue of lack of planning. To become a successful entrepreneur, right plan has to be made from the start. One needs to be ready with what might come next, i.e., recognise the unforeseen events, if every small planning is not possible.
2. **Hiring:** Hiring the right candidate for the right job is the most difficult task. This not only helps in sustaining a business but also in its expansion. Not having the right candidate for the position may lead to delay in services or rollout of a new product. Besides, getting a good employee might be expensive for a new venture in terms of affordability.
3. **Marketing strategies with limited budget:** Proper marketing strategies are required to create a visibility amongst the customers. But the challenge is of a limited budget. Just the word of mouth (WOM) strategy will not help, proper efforts are required to bring confidence in customers that would help them accept the new business in the market.

## PROBLEMS AND PROSPECTS OF ENTREPRENEURSHIP

4. **Uncertainty:** The entrepreneur must be ready to deal with various types of uncertainties, which is a tough task. To become successful, an entrepreneur should remain calm, be clear with the vision and must have courage to accept the reality without much of resistance.
5. **Criticism:** For an entrepreneur, criticism is a part and parcel of the job. An entrepreneur can have criticism from any place like one's own team, investors, partners, family and customers. If the entrepreneur accepts the criticism as feedback, then it would help the entrepreneur grow in future and it would prove valuable.
6. **Customers:** Reaching the right customer is the biggest challenge for any entrepreneur. A business may jeopardize its stake if the end-user expectations are not met due to the fact of not having right network and target customers. An entrepreneur needs to invest one's time for the same. Today's entrepreneur can use various tools like social media and SEO to reach and understand the customers.
7. **Decision making:** There would be time when an entrepreneur would face dilemma in making decisions, especially with limited information. A delay in any decision can lead to delay in progress of the company. Delegation of the work can be done for small tasks that would ultimately help in making major decisions.
8. **Time management:** One of the toughest challenges for any entrepreneur is time management. There would be situations when many conflicting priorities would come simultaneously requiring to prioritise among them.
9. **Infrastructure:** How well the company provides the infrastructure matters to the employees of the company. A fully equipped workplace where all employees have their own private place to work would encourage. But for an entrepreneur to provide such a workplace with a proper rented commercial office space in budget would always be a challenge.

- SMRIDH
- Startup India Seed Fund
- Startup India Initiative
- ASPIRE
- Pradhan Mantri Mudra Yojana (PMMY)
- ATAL Innovation Mission
- Ministry of Skill development and Entrepreneurship
- eBiz Portal
- India Water Pitch-Piolet-Scale Startup challenge
- Digital India
- Make In India
- STEP (Support to Training and Employment Programme for Women)
- Pradhan Mantri Kushal Vikas Yojana (PMKVY)
- National Skill Development Mission
- SEED (Science for Equity Empowerment and Development)
- SETU (Self Employment and Talent Utilization)
- Micro Units Development Refinance Agency (MUDRA)

These types of schemes initiated by the Government of India can help the entrepreneurs for the development of their entrepreneurship. It would ultimately add to the economic growth of the country.

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## **2.5 CONCLUSION**

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Entrepreneurial development in a country can lead to the economic growth of a country. The entrepreneurs can bring about employment opportunities, economic independence, improved living standards, per-capita income and use of local resources to the advantage of a country. So, these types of governmental schemes can help resolve problems faced by the entrepreneurs and make India self-independent.

### **❖ CHECK YOUR PROGRESS**

#### **• LONG QUESTIONS:**

1. What do you mean by an entrepreneurship? Which are the various challenges and difficulties faced by them? Explain in detail
2. Explain the current scenario of entrepreneurship in India.
3. Explain the growth of entrepreneurship in India.
4. Explain in detail various entrepreneurial eras of India.

#### **• SHORT NOTES:**

1. Growth of Entrepreneurship in India
2. Challenges faced by entrepreneurs
3. Difficulties faced by entrepreneurs
4. Current Scenario of Entrepreneurship in India

#### **• SHORT QUESTIONS:**

1. What was the effect on entrepreneur's post-liberalisation?
2. How does an entrepreneur manage the time for the upcoming challenges?
3. How is planning and hiring considered in difficult areas for entrepreneurship?
4. What is the importance of finance for an entrepreneur?
5. How does an update in education system regarding teaching on entrepreneurship make a difference to the society?
6. What is more better doing job or business? Elaborate.
7. How important is a support of family to an entrepreneur? Explain.

#### **• MCQ**

1. **\_\_\_\_\_ is closely connected with the development of countries economy; it helps a nation to shape the economy by providing employment, products and services.**
  - a. Entrepreneurship
  - b. Entrepreneur
  - c. Enterprise
  - d. None of the above.

## PROBLEMS AND PROSPECTS OF ENTREPRENEURSHIP

2. **One of the major factors that makes the process long to start a business is \_\_\_\_:**
  - a. Regulations and governance
  - b. Recruitment
  - c. Family Support
  - d. Technology and education
  
3. **Proper \_\_\_\_\_ strategies are required to create a visibility amongst the customers.**
  - a. Marketing
  - b. Finance
  - c. Human Resource
  - d. Production
  
4. **The roots of entrepreneurship were found back, as old as, to the \_\_\_\_\_, where metalhandicraft was prevalent.**
  - a. Rig Veda
  - b. Indus Valley Civilization
  - c. Harappan Civilization
  - d. None of the above
  
5. **In \_\_\_\_\_ there was development of trade and transport technology advancement, which was also known as the copper age.**
  - a. Rig Veda
  - b. Indus Valley Civilization
  - c. Harappan Civilization
  - d. None of the above
  
6. **The Indian muslin was used for Egyptian mummies, in around \_\_\_\_\_ BCE, by the Pharaohs.**
  - a. 1000
  - b. 2000
  - c. 3000
  - d. 100
  
7. **After independence, the first Industrial Policy was launched in \_\_\_\_\_**
  - a. 1968
  - b. 1970
  - c. 1972
  - d. 1960
  
8. **Though there are many investors, innovators and even challengers in Indian market, then too only of the Indian adult population does go for an 'early-stage entrepreneurial activities'**
  - a. 9%
  - b. 10%
  - c. 11%
  - d. 12%

**PROBLEMS AND PROSPECTS OF ENTREPRENEURSHIP**

**9. During the early stage of an entrepreneur in India, getting\_\_\_\_\_is one of the keyproblems.**

- a. credit finance
- b. marketing
- c. production
- d. none of the above

**10. Support of\_\_\_\_\_is crucial for becoming a successful entrepreneur.**

- a. Family
- b. Friends
- c. Relatives
- d. Society

**11. Becoming a successful entrepreneur would take \_\_\_\_\_**

- a. time and patience
- b. practice and training
- c. patience and training
- d. none of the above

**12. Not having the right\_\_\_\_\_for the position may lead towards the delay in servicesor rollout of new product.**

- a. Candidate
- b. Machine
- c. Tool
- d. Furniture

**• MCQ ANSWER**

1	2	3	4	5	6	7	8	9	10	11	12
A	A	A	A	B	B	A	C	A	A	A	A

**3.1 JAMSHEDJI TATA****3.2 DHIRUBHAI AMBANI****3.3 NARAYANA MURTHY****3.4 HENRY FORD****3.5 CONCLUSION****❖ CHECK YOUR PROGRESS**

- **A BRIEF PROFILE AND QUALITIES OF FOLLOWING SUCCESSFUL ENTREPRENEURS**

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**3.1 JAMSHEDJI TATA**

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**(3<sup>RD</sup> MARCH, 1839 – 19<sup>TH</sup> MAY, 1904)**

Jamshedji Tata, a philanthropist and an entrepreneur, founded the renowned company – the TATA group. Son of Nusserwanji and Jeevanbai, Tata was born on 3<sup>rd</sup> March 1839, in Navsari, Gujarat, named as Jamsetji Nusserwanji Tata, he was the first and only child in the family. Born in a priestly family of the Parsee community, Nusserwanji Tata broke away from his familial priestly tradition and started his own business.

Jamsetji Tata joined his father at Bombay when he was just 14. Nusserwanji got him enrolled at Elphinstone College, Bombay where he cleared with “green scholar” (equivalent to graduation of today) in 1858, where he developed a lifelong admiration for education in terms of academics and love for reading. But then his passion for business took over his inclination towards academics and reading. After his college, he joined his father’s business of export trading where he established branches in Japan, China, Europe and the United States. In 1859, young Jamsetji laid his foundations of China trade for his father’s business. He travelled for the second time to Shanghai to establish his second brand. So, when Jamsetji was 20, his career began as an entrepreneur.

In 1864, he travelled to London with a cotton consignment that was shipped by his father’s firm to England. He lived there for four years where he had an in-depth study of the Lancashire cotton trade. He studied the type of manpower, machines to be used and how to produce the material. This phase significantly influenced and convinced him to bring a revolution in mills in India. As a visionary, Jamshedji Tata believed that he could beat the advantage taken by British businessmen. Hence becoming the first entrepreneur who saw a spark and its effect of Industrial revolution in India.

In 1868, after having nine years of experience with his father, Jamsetji started his first company with a capital of Rs. 21000 that later evolved as the Tata

Group. This business was of textile about which he learnt more with his passage to England. He understood that there was a lot of scope for Indian companies; they could make a noticeable impact in the existing British ascendancy of textile industry. His first move was made in 1869 by acquiring run-down and bankrupt oil mill in Chinchpokli – the Alexandra Mill, which he converted and renamed into a cotton mill. This mill was in the industrial heart of Bombay which he sold after two years with a significant profit to a local cotton merchant.

**The Challenge & Change:** Starting his first business in textile, Jamshedji had a different mindset compared to the orthodox method of doing business. His aim was to maximise his chance of getting success with three curtail plans: one, choose a nearby cotton-growing areas; two, his company should have an easy access to railway junction; and third, enough quantity of water and fuel. Hence, based on the three criteria, he chose Nagpur, as it was in the heart of Maharashtra and near to Bombay too. Nagpur land was cheap and there was easy availability of coal and water, hence Jamsetji had to invest a small amount to buy a land on a marsh. Nagpur gave him good profits.

In 1874, with a capital investment of Rs. 1.5 lakh, he started a new venture in Central India Spinning, Weaving and Manufacturing company. On 1<sup>st</sup> January, 1877, the Empress Mills came into existence in Nagpur, when Queen Victoria was announced as the Empress of India. This happened three years after his venture was to realise its vocation. His first fantastic journey was embarked when he was of the age of 37.

**Work and Welfare:** Jamsetji believed in experiments and labour welfare. He initiated Pension Funds in 1886 and in 1895 as well as accident compensation. He was believed to be a man with vision who thought miles before his present time and competitors. Hence, the concept of people first mattered the most against the profit gained by the company. He also considered health of workers and pollution of water that cause illness; proper sanitation for his workers along with provident fund and pension.

During his later phase as an entrepreneur, he brought a concept of work and welfare that was based on evaluation of the people working in his firm. He offered his employees with short working hours, good ventilation workplace, provident fund, gratuity and then later on the concept of township for workers was also proposed and then developed. In his letter to his son Dorab Tata in 1902, he mentioned to have a township for his steel plant workers, where the site should have wide streets, planted trees, lawns and gardens, area for football, hockey and parks, and also must have Hindu temple, Mohammedan mosques and Christian churches. This vision was then brought alive in a city named Jamshedpur, which is also known as Tata Nagar.

**Vision / ideas of Jamsetji Tata:** During his visit and stay in London since 1864, he attended a lecture by Thomas Carlyle, a philosopher. He got inspiration to establish iron and steel plant, from his words '*the nation which has the steel will have the gold*'. Hence, during his life span from 1880 to 1904 (till his death), Jamsetji had three ideas or vision. Those are:

1. Setting up an iron and steel company

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2. Generating hydroelectric power
3. Creating world-class educational institution in the field of science

Though the same couldn't be materialized during his life-span but it did lay the seeds of vision with his ground work and his force towards achieving the same and lead to his dreams to find a magnificent expression.

**Power and Steel:** Inspired by the speech of Thomas Carlyle, Jamsetji made up his mind to develop a steel plant in India. In early 1880s, Jamsetji had made-up his mind to build a steel plant that would be the best in the world. This was a very big task and also this would bring industrial revolution in India. But the laws of British India didn't encourage private enterprise for mining. However, by 1899, demand for steel got high for development of railways and defence production. Hence to increase the supply, Lord Curzon, leader of British India had to liberalize the norms in 1899. Jamsetji was already waiting for twenty years for this opportunity. He went to England in 1900 to meet Lord Hamilton, Secretary of State for India to issue orders to Lord Curzon to give permission for the same. Hamilton was impressed by Jamsetji's vision and his idea of steel to be produced by India against all obstacles prevailing during British Raj. Hamilton acknowledged Jamsetji's passion and assured him to write to Curzon for the same. Jamsetji was acknowledged by Hamilton as 'a political pioneer of the most reliable character'. This vision of Jamsetji was brought alive after eight years of his death by his son Dorab and Cousin R D Tata.

**Power of Education:** Jamsetji believed in one philanthropic principle that if India wants to come out of poverty, then the finest minds need to be harnessed. He established J N Tata Endowment in 1892, where he sponsored bright students willing to pursue higher studies in England regardless of caste or creed. This concept then flowered into the Tata Scholarships by 1924 funding two out of five Indians for Indian Civil Service. Based on this thought, Jamsetji got the idea to create Indian Institute of Science. He pledged to spend Rs. 30 lakhs from his personal affluence towards developing the institute. This thought got materialised with the support of Viceroy, Lord Curzon and Swami Vivekananda. Jamsetji was highly influenced by Swami Vivekananda's thoughts. Swamiji wrote in 1899, backing the idea of Jamsetji, that "*I am not aware if any project at once so opportune and so far reaching in its beneficent effects has ever been mooted in India... The scheme grasps the vital point of weakness in our national well-being with a clearness of vision and tightness of grip, the mastery of which is only equalled by the munificence of the gift that is being ushered to the public.*" It took 12 years for Indian Institute of Science, Bangalore to start it functioning.

**An Icon:** Once Jamsetji was not allowed to enter a city's hotel for just being an Indian. He then set his mind to build a posh hotel where any person can enter. He built The Taj Mahal Hotel in Bombay by 1903, with the cost of Rs. 4.21 crore. Suavely luxurious, this was the first building in Bombay having electricity, American fans, German elevator, Turkish baths, English butlers and lot of innovative delights for customers.

Jamsetji was a visionary. He had both passion and commitment throughout his life. Starting his journey as a young entrepreneur in the field of textile manufacturing, he introduced the concept of Human Resource management



concerning employee welfare, thoughts on importance of education, and an iron and steel company in India.

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### 3.2 DHIRUBHAI AMBANI

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(28<sup>th</sup> December, 1932 – 6<sup>th</sup> July, 2002):

Dhirajlal Hirachand Ambani (known as Dhirubhai Ambani) was born on 28<sup>th</sup> December, 1932 in a remote village Chorward of Junagadh district, Gujarat. He was the third of five children to a school teacher and his wife living by modest means. There are stories about him selling pakodas and bhujias to pilgrims near his hometown that suggest his budding passion for entrepreneurship..

When he was 16, he moved to Yemen, British colony of Aden, where he joined his brother, Ramnikbhai. He joined as a clerk at A. Besse & Co. and soon became the manager to sell Shell and Burmah oil products. At Yemen, he learnt basics of markets, trading and finance, by doing small trade in rice and sugar. At times he took high risks as he believed in not wasting any opportunity that sometimes also landed him in troubles .

**The Start:** In 1958, he started his own business in Bombay, with a 350 sq. ft. office and initial investment of Rs. 15000. Dhirubhai started his business with his nephew, brother and two friends. He started his business with trading in spices, but then he found a great opportunity in yard trading and hence then he entered into textile industry. After separating from Damani (his partner), Dhirubhai took a risk in 1966 and registered venture under the name – Reliance Commercial Corporation and opened a textile mill in Naroda industrial area of Ahmedabad. His small venture was having just 20 people initially but they succeeded to have Rs. 9 billion sales with a profit of Rs. 1.3 million in 1967.. This business gradually grew with a turnover of Rs. 680 million and profit of Rs. 100 million and more in just a decade.

**Think Big, Think Fast, Think Ahead:** In 8<sup>th</sup> May 1973, Reliance Industries was established with more than 85000 employees. He had started with synthetic textiles. He gradually moved into petrochemicals and then had plastics and power generation company into his business. The brand ‘Vimal’ was launched in textile business that sold sarees, shawls, dresses and suits. For the brand, he hired the best talent available in the market and made designs better than others to have limited competition for the company. But there were more challenges.

Vimal being made as an exclusive product in the market, it gave higher competition on product superiority than other brands, Dhirubhai missed on one major aspect – wholesalers. At that time, wholesalers played a very important role for textile manufacturers whose job was to bring products in the market. It so happened that the wholesalers, not supporting Vimal, denied to keep the stock of its fabrics.. So, Dhirubhai decided to bypass the chain of wholesalers and started to sell directly to retailers. This brought a new change in the market structure. Retailers were happy by the new format and stocked and sold Vimal products. This format led to the development of Only Vimal stores across India. It became the first major de-facto retail store chain. He also invested an annual budget of about Rs. 1 crore in advertising that was 400% higher than competitors in order to publicize its new brand and

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approach the masses. ‘Only Vimal, became the promotional campaigns across India turning into the biggest brand of India.

**The Challenge:** Dhirubhai wanted to setup a huge manufacturing plant in 1977 but nationalized banks refused to finance him. So here, Dhirubhai introduced his dream for Indian middle class by making them shareholders in Reliance. He sold his idea directly to people who were in thousands. In 1978, Reliance launched a public IPO of 2.8 million equity shares of Rs. 10 each.<sup>1</sup> This IPO was a success with having more than fifty-eight thousand small investors investing, with faith and belief of the promise done by Dhirubhai. This format brought the equity cult in India. Between 1980-1985, the shareholders increased from 1 million to about 4 million with having most of the middle-class people investing in the same.<sup>2</sup>

**Stock market:** With this massive shift in investment pattern in stock market, Dhirubhai was successful in converting Reliance’s huge debts into high-value equity. He then followed this idea to raise capital through stock market. He introduced a new concept of convertible debentures that allowed investors to convert debentures into equity shares but at a premium price. This format received Rs. 400 crore as a subscription from single issue in 1985.

**Reliance Family:** Dhirubhai was successful in gathering money from his middle-class investors, and hence building one big shareholder family in the world. He has around million shareholders of Reliance stock by 1993 – which was almost 25% of Indians were believed to be owing Reliance shares. As promised to his investors to give rewards to the investors, he organised an AGM (Annual General Meeting) of all shareholders in Bombay’s Cross Maidan. This was the biggest ovation that ever happened in Indian history by an entrepreneur in this modern era. He believed in his people who were working for him and also the investors who were investing in the company.

Dhirubhai Ambani was a man who believed in hard work and enthusiasm. He believed in the spirit of ‘can do and will do’ by dreaming with eyes open. The key success elements of Dhirubhai were –

- he was a revolutionary who believed in big yet practical ideas
- he believed in growing big though with initial investment of small amount
- having faith in his team and people with whom you work builds trust resulting in good outcome in the long run
- he believed in innovation as an absolute requirement
- he believed in taking high and calculated risks
- Finding a niche – he believed in catering to the market with exceptional products
- he believed in ‘think big, think differently, think fast and think ahead;’<sup>3</sup>

Dhirubhai Ambani has been a successful entrepreneur in the world by becoming the world’s largest polyester manufacturer and becoming petrochemical products tenth global producer. He gave a bright vision to many in the world by showing how to dream big and how to achieve the impossible.

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### 3.3 NARAYANA MURTHY

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**(Born 20<sup>th</sup> August, 1946):**

Nagavara Ramarao Narayana Murthy, known as Narayana Murthy, was born on 20<sup>th</sup> August 1946 in Shidlaghatta, Karnataka in an educated poor family. He did his bachelors in electrical engineering (BE) in 1967 from the University of Mysore and in 1969 he earned his master's degree in technology from IIT (Indian Institute of Technology), Kanpur. In 1970s, he went to Paris to work on projects where he helped in designing the operating system for handling air cargo at Charles de Gaulle Airport. He returned to India and started his career as a chief systems programmer at IIM-A. Later he joined a computer system company in Pune. Thereafter in 1981, he launched Infosys with six other computer professionals with an investment of Rs. 10,000 and hence becoming the cofounder.

Economic liberalisation and deregulation happened after LPG was declared in 1991, Infosys witnessed a dramatic growth with computer segment and high technology. This economic change brought a great expansion on services and client base where client servicing overseas, system integration, software development, business consulting and product engineering services were also initiated. In 1999, Infosys joined NASDAQ and became the first company that got listed in American Stock Exchange. He has been highlighted in various magazines like Asiaweek, Businessweek, Fortune magazine and many more.

In the year 2000, Mr. Murthy was awarded with Padma Shri by Government of India in the field of IT sector for his significant contribution. India's second highest civilian award – Padma Vibhushan was awarded to Mr. Murthy in the year 2008.

Mr. Murthy, believed in a secret ladder to be a successful entrepreneur. The steps are – ideas, team, selling, finance and luck.

**Idea** – Mr. Murthy believed in expressing the ideas. An entrepreneur needs to focus and build his product positioned in a unique manner that a customer can easily identify the brand from others. And this could be possible by simple idea that needs to be expressed in simple sentence to be well understood by customers.

**Team** – Mr. Murthy said that a successful business is possible with hiring employees who are robust and hardworking. The one who can understand the idea and technology that delivered to customers as required by the business in a successful manner. Hence good team is important.

**Selling** – Mr. Murthy also believed that entrepreneurs should take selling as an important aspect for an organisation, be it any form of organisation, i.e., profit-making organisation or a non-profit business. He believed in selling ideas to everyone. The employees must be taught the art of selling when they join the business.

**Finance** – Mr. Murthy believed in managing the finance as a more important factor than raising funds. He expressed his thought in that how an entrepreneur makes the most effective investment from the procured money is an important factor.

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**Luck** – Mr. Murthy believed in luck. He said that everyone is not unlucky. He recommended entrepreneurs to work on the behaviour that would lead to a positive approach. A good behaviour brings humility which is very important for an entrepreneur.

After Narayana Murthy took retirement in 2011, the company went through a very tough time. Its performance deteriorated and cost-cutting was evident. In 2013, at the age of 67, Mr. Murthy was called back from retirement to bring back the company on its feet. He took the charge as an Additional Director and Executive chairman of the Board.

Mr. Murthy is a true entrepreneur, who believes work comes first, with innovation and ideas and humble approach towards people.

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### 3.4. Henry Ford (1863 – 1947):

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Henry Ford, known as the American industrialist, who brought revolution in factory production, was born on July 30, 1863, the first son of a farmer William and Mary Ford. He was born on a farm which was near Dearborn, Detroit, Michigan USA. He spent his initial eight years in a one-room school and left the formal learning after he was 15. But during his education period, he was a brilliant student at mathematics and he loved cars. At the age of 16, Ford went to Detroit to work as a student engineer. He worked there for three years and learnt about internal- combustion engine. When he returned home, he worked for Westinghouse Engine Company as a part-time worker and worked for his small machine shop at his place. During this period, he got married to Clara Ala Bryant, and then they were blessed with one child, Edsel Ford.

The turn of his life came when he was hired as a Chief engineer for Edison Illuminating Company in 1891. The company offered him a promise for a new future where Ford was allowed to spare time to build his machine. He invented “Quadricycle” crude machine – a combination of two bicycles that are placed side by side and which worked with gasoline engine. The invention took nearly a decade to complete Quadricycle, where Ford then took William H. Murphy, a lumber tycoon of Detroit, for a ride and that was the first step towards the business to start.

**Ford Motor Company:** In 1899, Detroit Automobile company was open where Ford was the superintendent of production. But the company got closed in a year as Ford could build a car but the production could not be that fast to keep the company functioning. It was then Ford thought to build a racer car. With this new plan he thought racing could be the new way to spread the knowledge about cars. One of the famous racer cars was 999 driven by racer Barney Oldfield that set many new speedrecords. This car was built under the name of Cadillac Motor Car Company. With a thought to let people know that the car was made by him, he left the company in 1902 and in the year 1903. Henry Ford was reaching his age of 40 and with cash amount of \$28,000, he started Ford Motor Co. by hiring workers and converted a shop into a wagon factory.

**Challenge:** With his new business, which was believed to be a success from the beginning, he got threatened for not being a licensed manufacturer by

Association of Licensed Automobile Manufacturers as per patent rule by George B. Selden. Ford was denied the license by the group, with the base to secure the fast-becoming major industry. They had the power where they can control patent grants. There was a rule passed in 1895 by which they claimed that the patent applied to all gasoline-powered automobiles. Ford claimed that what he was doing was invention and hence fought the case in court against the industry. After gathering evidence, his court hearing took six years. He lost his original case in 1909 but then he appealed again and won in 1911. This victory made Ford a popular hero and had a wide implication for the industry.

**Car for All:** He designed and produced his first car – Model A, which he sold in July 1903 to a dentist in Chicago. Then by 1904, he sold more than 500 Model A cars. When his competitors built cars for wealthy people, Ford believed to create automobile for everyone at an affordable range. As a result, he could make Model T which he nicknamed.

‘Tin Lizzie’ that was put on sale in 1908. He sold 15,500,000 Model T cars in the United States, around 1,000,000 cars in Canada and 250,000 cars in Great Britain in 19 years. This was the era of revolution in auto industry where Model T version brought car to ordinary men instead of catering only to the rich men. This model brought lot of changes in lives of common men as they could travel freely around the country. This automobile change brought in agriculture revolution in America along with the change in economy leading to urbanization, housing development, highway system development and more.

With new engineering innovations, Ford transformed metal car into plastic bodied car in 1942. He invented first one-piece engine V-8. He got new cars being offered in various colours with added features, and with affordable price.

**Humanitarian Trace:** Ford also brought change in humanitarian grounds. In 1914, Ford Motor Company announced a minimum wage pay of \$5 per day ( in market it was an average of \$2.34 per day) to eligible workers. He also reduced the working hours from nine to eight hours a day and converted the work into three shifts. Ford focused on humanitarian areas where he believed in paying wages based on profits earned in previous month. And his second emphasis was on selling low pricing cars with Model T costing \$ 950 in 1908 and \$290 in 1927, with an aim of capturing maximum possible market with high volume.

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### 3.5 Conclusion

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Ford passed away on 7<sup>th</sup> April, 1947 in Dearborn Michigan. But during his lifetime, he did a lot for the society and people. He brought new innovation and invention in automobile world with the concept of affordable car. He also left a great impact on the society by giving them good pay to gain their loyalty towards the company. He believed in the following philosophies:

1. He believed in being good to people and let people know about what you think and what you invent.
2. “Failure is simply the opportunity to begin again, this time more intelligently.” Failures are just a simple form of experience that one receives as feedback in the course of life experience.

## SUCCESSFUL ENTREPRENEURS

3. Do the work not to impress but to get engaged in the process. It is not required that people see what you do, as good work would always be felt.
4. He didn't believe in show-off. He said that a good entrepreneur should do the things right when no one is looking.
5. One should not do business just to make money doing business to make money only is not a poor business.

Henry Ford faced a lot of challenges while bringing in a revolution to automobile with innovation and invention. There were failures but he took them as experiences leading to success of Ford Motors.

### ❖ CHECK YOUR PROGRESS

#### 1. Long Questions:

2. You are the owner of a manufacturing company. You follow the ideologies of Sri Jamsetji Tata. So, what would be your business strategies then? Explain your new company policies that are framed based on his ideologies by taking a proper example.
3. From various successful entrepreneurs, whose ideologies do you like the most? Explain the same by an example when you are an entrepreneur and have to incorporate the ideologies in this present era in your company.
4. Do you think that in today's digital era, a company can follow the footprints of the successful entrepreneurs? Justify.
5. What is more important for any business – finance or human management or both? Justify the same by considering one of the entrepreneurial concepts.

#### 2. Short Notes:

1. Jamsetji Tata
2. Henry Fayol
3. Narayan Murthy
4. Dhirubhai Ambani

#### 3. MCQ:

1. \_\_\_\_\_ believed in experiments and labour welfare.
  - a. Jamsetji Tata
  - b. Dhirubhai Ambani
  - c. Narayan Murthy
  - d. None of the above
2. Jamsetji Tata initiated \_\_\_\_\_ compensation.
  - a. Pension funds
  - b. Professional tax
  - c. Provident fund

- d. None of the above
3. \_\_\_\_\_ first fantastic journey was embarked when he was of the age of 37.
- Jamsetji Tata
  - Dhirubhai Ambani
  - Narayan Murthy
  - None of the above
4. Build up with luxury, \_\_\_\_\_ was the first building in Bombay which used electricity and also had American fans, German elevator, Turkish baths, English butlers and lot of innovative delights for customers
- The Oberoi Hotel
  - The Taj Mahal Hotel
  - JW Marriott Hotel
  - The Trident Hotel
5. Dhirubhai took a risk in\_ and registered venture under the name – Reliance Commercial Corporation and opened a textile mill in Naroda industrial area of Ahmedabad.
- 1965
  - 1966
  - 1967
  - 1968
6. Brand Vimal was launched in textile business, which sold sarees, shawls, dresses and suits.
- Vimal
  - Virat
  - Raymond
  - Manyavar
7. In 1978 Reliance launched public IPO of 2.8 million equity shares of Rs. \_\_\_\_\_ each.
- 10
  - 11
  - 12
  - 13
8. The key success elements of Dhirubhai were –
- he was a revolutionary who believed in big yet practical ideas
  - he believed in growing big but with an initial investment of small amount

## SUCCESSFUL ENTREPRENEURS

- c. having faith in his team and people with whom you work builds trust resulting into good outcome in long run
  - d. all of the above
9. In \_\_\_\_\_ Infosys joined NASDAQ and hence became the first company that got listed in American Stock Exchange.
- a. 1998
  - b. 1999
  - c. 2000
  - d. 2001
10. India's second highest civilian award – Padma Vibhushan was awarded to \_ in the year 2008.
- a. Mr. Narayan Murthy
  - b. Mr. Dhirubhai Ambani
  - c. Mr. Henry Ford
  - d. None of the above
11. Mr. Murthy, believed in a secret ladder to be a successful entrepreneur. The steps are –
- a. ideas
  - b. team
  - c. selling
  - d. all of the above
12. In 1899, Detroit Automobile company was open where \_\_\_\_\_ was the superintendent of production.
- a. Ford
  - b. Hyundai
  - c. Skoda
  - d. None of the above
13. Henry Ford designed and produced his first car – Model A, which he sold in July \_\_\_\_\_ to a dentist in Chicago.
- a. 1900
  - b. 1901
  - c. 1902
  - d. 1903
14. In \_\_\_\_\_, For Motor Company announced a minimum wage pay of \$5 per day.
- a. 1913
  - b. 1914
  - c. 1915
  - d. 1916



15. is simply the opportunity to begin again, this time more is  
 “Failure intelligently” \_\_\_\_\_ Philosophy.

- a. Henry Ford
- b. Narayan Murthy
- c. Dhirubhai Ambani
- d. Jamsetji Tata

MCQ ANSWER :-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A	A	A	B	B	A	A	D	B	A	D	A	D	B	A

**4.1 CONCEPT AND MEANING****4.2 PLANNING PROCESS****4.3 ROADBLOCKS TO EFFECTIVE PLANNING\****4.4 FORECASTING****4.5 OBJECTIVE SETTING****❖ CHECK YOUR PROGRESS**

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**4.1 CONCEPT AND MEANING**

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Functions of management are classified as planning, organizing, staffing, directing and controlling. All these functions are required to achieve the objective of an organization. However, without setting the objectives, there is nothing to organize, direct or control. Therefore, every organization is required to specify what it wants to achieve. Planning is basically related with this aspect.

The meaning of the word planning is something of a paradox (inconsistent). To some, it is an omnibus term having convenient utility and a generalized context extending from broad philosophical consideration to precise details. They think of it as specific activity; in contrast, others believe it is a part of, perhaps even a symbol for almost everything a person does. Then, too, the upsurge in planning has created many different kinds of planning, and this array of different entities, all identified by planning, has added to confusion. There are some who consider planning synonymous with decision making. This is also erroneous (inaccurate). Decision making is not the same as planning because one can make decisions in other activities also, though the role of decision making is highly important in planning.

Another confusion that arises in the concept of planning is the two words: planning and plan. Two words are similar but their meanings are different. There is fundamental difference between the two. **Planning** is an activity. It can be considered as consisting of a process, hence various sub-activities. On the other hand, **plan** is a commitment to a particular course of action believed necessary to achieve specific results. These are plans. The plans are prepared through the planning process which involves taking various activities to arrive at what is to be achieved, how it is to be achieved, and when it is to be achieved. Therefore, *planning is taken as a process*.

Planning as a process involves the determination of future course of action, that is why an action, what action, how to take action and when to take action. These why, what, how and when are related with different aspects of planning process. Why of action reveals that action has some objectives or the end-results which an organization wants to achieve; what of action specifies the activities to be undertaken; how and when generate various policies, programmes, procedures and other related elements. Thus, all these elements speak about future perspective of action.

*“Planning is the selection and relating of facts and making and using of assumptions regarding the future in the visualization and formalization of proposed activities believed necessary to achieve desired result.”*

- **Terry**

Thus, in planning, a manager uses facts, reasonable premises, and constraints, and from all these, he visualizes and formulates what necessary activities are, how they will be conducted, and what will be their contribution to achieving desired results.

*“Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change.”*

- **McFarland**

**FEATURES/NATURE OF PLANNING**

On the basis of the definition of planning, the following features can be identified:

1. Planning is a process rather than behaviour at a given point of time. This process determines the future course of action.
2. Planning is primarily concerned with looking into future. It requires forecasting of future situation in which the organisation has to function. Therefore, forecasting of future situation leads to correct decisions about future course of actions.
3. Planning involves selection of suitable course of action. This means that there are several alternatives for achieving a particular objective or set of objectives stop however, all of them are not equally feasible and suitable for the organisation.
4. Planning is undertaken at all levels of the organisation because all levels of management are concerned with the determination of future course of action. However, its role increases at successively higher levels of management. Moreover, planning at different levels may be different in the context that at the top management level, managers are concerned about the totality of the organisation and it tries to relate it with the environment by managers at low levels may be involved in internal planning.
5. Planning is flexible as commitment is based on future conditions which are always dynamic. As such, any adjustment is needed between various factors and planning.
6. Planning is a pervasive and continuous managerial functions involving complex processes of perception, analysis, conceptual thought, communication, decision and action. The very pervasiveness of these planning elements makes it difficult to identify and observe them in detail.

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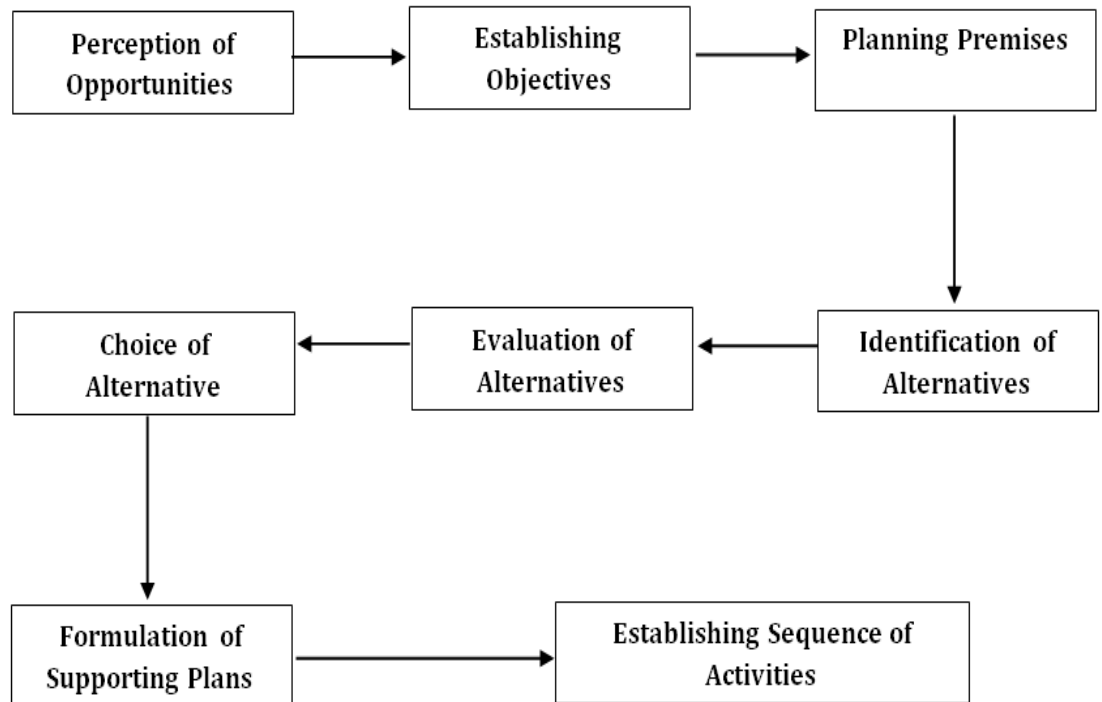
**4.2 PLANNING PROCESS/PROCEDURE OF PLANNING**

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It is not necessary that a particular planning process is applicable for all organisations and for all types of plastic are the various factors that go into

## BUSINESS PLANNING

planning process may differ from plan to plan or from one organisation to another. For example, planning for a major action will take more serious evaluation of various elements necessary for planning but this may not be true for a minor one. Similarly, in a small organisation, a large organisation. Here is a given process of planning which is applicable for a major program like the opening of a new product line or acquisition of a major plant. With minor modifications, the process is applicable to all types of plans. The planning process is presented in the following diagram:



The sequence of various steps in planning in such a way that they lead to the translation of an idea into action by reaching the state of establishing of sequences of activities.

Each stage contributes to plan formulation in the following ways:

### 1. Perception of opportunities

Perception of opportunities is not strictly a planning process. However, this awareness is very important for planning process because it leads to formulation of plans by providing clue whether opportunities exist for taking a particular plan. From this point of view, it can be considered as the beginning of planning process stop perception of opportunities include a preliminary look at possible opportunities and the ability to see them clearly and completely, a knowledge of where the organisation stands in the life of its strengths and weaknesses, and understanding of why the organisation wants to solve uncertainties, and a vision of what it expects to gain. This provides a reported to set your objectives in real sense because the organisation tries to relate itself in the environment. In doing so, it takes the advantages of opportunities and avoids threats. This is a preliminary stage; hence the analysis of environment is not taken in a very elaborate form analysis that relates to the determination of

opportunities at first instance. Once the opportunities are perceived to be available, the steps of planning are undertaken.

## **2. Establishing objectives**

At this stage, major organisational unit of objectives are set. Objectives specified the results expected eight endpoints of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by various types of plans. The organisational objectives should be specified in all results areas. Key result areas are those which are important for organisation in achieving its objectives. These are identified on the basis of organisational objectives. For example, for an organisation, key result areas needing profitability, sales, research and development, manufacturing and so on. Once organisational objectives are identified, objectives of lower units and subunits can be identified in that context organisational objectives give direction to the nature of all major plans which, by reflecting his objectives, to find the objectives of major departments. These, in turn, control the objectives of subordinate departments and so on down the line. Thus, the hierarchy of objectives in the organisation.

## **3. Planning premises**

After determination of organisational goals, the next step is establishing planning premises, that is, the conditions under which planning activities will be undertaken. Planning premises are planning assumptions -- the expected environmental and internal conditions. Thus, planning premises are external and internal. External premises include total factors in task environment such as political, social, technological, competitors' plans and actions, government policies, etc. Internal factors include organisation's policies, resources of various types, and the ability of organisation to withstand the environmental pressure. The more individuals charged with planning understand and utilise consistent planning premises, the more coordinated planning will be. Forecasting plays a major role in planning premises.

The nature of planning premises differs at different levels of planning. At the top level, it is mostly externally focused. As one moves down the organisational hierarchy, the composition of planning premises changes from external and internal stop the major plans, old and new, the future against which the managers at lower units must plan. For example, a superior's plans affecting the subordinate manager's area of premises for the latter's planning.

## **4. Identification of alternatives**

Based on the organisational objectives and planning premises, various alternatives can be identified. The concept of various alternatives suggested that a particular objective can be achieved through various actions. For example, if an organisation has set its objective to grow further, it can be achieved in several ways: expansion the same failed or product line, diversifying in other areas, joining hands with the organisation or taking over the organisation and so on. Within each category, there will be several alternatives. For instance, the diversification itself may point out the possibility of entering into one of several fields. The most common problem with

alternatives is not that finding of alternatives only but to reduce the number of alternatives so that most promising ones are taken for detailed analysis. Since all alternatives cannot be considered for further analysis, it is necessary for the planner to reduce preliminary examination, and the number of alternatives that do not meet the minimum preliminary criteria. Preliminary criteria can be defined in several places such as minimum investment required, matching the present business of the organisation, control by the government, etc. For example, one company has defined a criterion in terms of size of investment in new project and may not consider any project involving an investment of less than Rs. 40 crores.

### **5. Evaluation of alternatives**

Various alternatives are considered feasible in terms of preliminary criteria taken for detailed evaluation. At this stage, an attempt is made to evaluate how each alternative contributes to the organisational objectives in the light of its resources and constraints. This presents a problem because each alternative may have certain positive points on one aspect but negative on others. For example, one alternative may be most profitable but requires heavy investment with long gestation period; another may be less profitable but also it was a lesser risk. Moreover, there is no certainty about the outcome of any alternative because it is related to future and future is not certain. It is affected by a large number of factors making the evaluation quite complex. This is the reason why more sophisticated techniques of planning are developed.

### **6. Choice of alternative**

After the evaluation of various alternatives, the most fit one is selected. Sometimes, evaluation shows more than one alternative. In such a case, a planner may choose more than one alternative. There is another reason for choosing more than one alternative. Alternative course of action is to be undertaken in future which is not constant. Course of action keeping in view of various planning premises may not be the best one. It is the change in planning premises. Therefore, planner must be ready with an alternative, normally known as contingency plan, which can be implemented in changed situations.

### **7. Formulation of supporting plans**

After formulating the basic plan, various plans are the light source to support the main plan. In an organisation, there may be various plans such as planning for buying equipment, buying raw materials, recruiting and training personnel, developing new product, etc. These derivative plans are formulated out of the main plan to support it.

### **8. Establishing sequence of activities**

After formulating basic and derivative plans, the sequence of activities is determined so that plans can be put into action. Based on plans at various levels, it can be decided in that who would do what and at what time. Budgets for various periods can be prepared to give plans a more concrete implementation.

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### 4.3 Roadblocks to effective Planning

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Planning as a management function is essential to every manager organisation but there are some practical problems in proper planning. Reasons why people tend to fail in planning emphasise the fact that practical difficulties encountered in planning disclosed that effective planning is not easy. Managers can do better if they are aware of the limitations so that they can take cautions against them. Given below are the major limitations to effective planning.

#### 1. Difficulty of accurate premising

Planning exercises are undertaken under certain assumptions of future events that are defined by a large number of factors in the environment. Thus, a limiting factor in planning is the difficulty of formulating accurate premises. Since the future cannot be known with accuracy, premising is subject to a margin of error. Though this margin of error can be minimised by making suitable forecasts of future events, protection cannot be expected. It is often suggested that since long-range planning requires looking into distant future, and distant future is not certain, it is useless to undertake long-range planning. In fact, this is true to some extent and especially under two situations long-range planning cannot be undertaken: first, in the formulating stage of an organisation when it may not be possible to take up long-range planning; and second, the environment in which the organisation operates is unstable and uncertain due to social and technological changes.

#### 2. Problems of rapid change

Another problem which is related to external environment is the rapid change that takes place in the environment. In a complex and rapidly changing environment, complications that make planning extremely difficult often magnify the succession of problems. The problem of changes is more complex in long-range planning and short-range planning. Present conditions tend to weigh heavily in planning, and by overshadowing future requirements may sometimes result in error of judgement. In rapidly changing conditions, planning activities taken in one period may not be relevant for another because conditions prevailing in different periods vary.

#### 3. Internal inflexibilities

Managers while going through the planning process have to work in a set of variables. These variables often provide less flexibility in planning which is required to cope up with changes in future events. Such inflexibilities may be either internal to the organisation or may lie outside. The top major internal inflexibilities are psychological, policies and procedures and capital investment.

In most cases, once funds are invested in fixed assets, the ability to switch future course of action becomes rather limited, and investment itself becomes a planning premise during the entire life of the fixed assets. This inflexibility continues unless the organisation can reasonably liquidate its investment or change its course of action or it can afford to write-off the investment.

### **4. External inflexibilities**

Besides the internal inflexibilities, managers are confronted with many external inflexibilities and they do not have control over these. For example, whether or not they change quickly or slowly, they do stand in the way of effective planning. Three environmental factors generate inflexibilities for an organizational planning: political climate, trade unions and technological changes.

### **5. Time and cost factors**

Planning process is quite a costly and time-consuming process. Various steps in planning may go as far as possible because there is no limit of precision in planning tools. Managers can spend unlimited amounts of time in forecasting, evaluating alternatives, developing supporting plans, or attending other aspects of planning, if they do not have limitations of time and money. Planning process suffers because of time and cost factors. Time is a limiting factor for every manager in the organization. If managers are busy in preparing elaborate reports and instructions beyond certain level, they are risking their effectiveness. Excessive time spent on securing information and trying to fit all of it into a compact plan is dysfunctional in the organization.

Besides time factor, planning is also limited because of cost factor. Planning cost increases if planning becomes more elaborate and formalized. Additional staff is to be appointed. Looking at the cost aspect, many people have commented that planning consumes more but contributes less. Thus, planning cannot be undertaken beyond a certain level. It should be taken at a level where it justifies its cost. Apart from direct cost involved in managers, time, financial compensation for those who are involved in planning, and paper work, among others also make planning costly to the organization indirectly. Plans provide rigidity of action, though the action is based on future projection. If future events change, the organization does not have any alternative except to sustain loss on the investment committed for planning period.

### **6. Failure of people in planning**

Apart from the above factors, sometimes, people involved in the planning process fail to formulate correct plans. There are many reasons why people fail in planning at the levels of formulation and its implementation. Some of the major reasons for failure are lack of commitment to planning, failure to formulate sound strategies, lack of clear and meaningful objectives, tendency to overlook planning premises, failure to see the scope of a plan, failure to see planning as a rational approach, excessive reliance on the past experience, lack of top management support, lack of delegation of authority, lack of inadequate control techniques, etc. These personnel factors are responsible for either inadequate planning or wrong planning in the organization.

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## **4.4 FORECASTING**

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The concept of forecasting is related to the events of future. Forecasting basically is a process through which relevant events of the future are estimated based on the analysis of the past and the present behaviour. It is said that future



cannot be ascertained unless one knows the past of a particular event. Thus, the past and the present analysis of any event or activity provides information about the future occurrences. The term forecasting is closely related with statistics as it makes the use of various statistical tools in order to ascertain the future. However, not all statistical tools help in analysis in forecasting.

“Business forecasting refers to the statistical analysis of the past in the current movement in the given time series so as to obtain clues about the future pattern of those movements.” - **Neter & Wasserman.**

### **Features**

1. Forecasting is related to the future. Hence, it is a part of planning as it needs to forecast the future course of action.
2. Forecasting also clarifies the probability of happening of future events. Therefore, happening of future events can be precise only to a certain extent.
3. Forecasting is done by analysing past and present situations or events which have already taken place, which will then it was the future roads.
4. Forecasting makes use of various statistical tools and techniques for providing accuracy along with various personal observation in the process.

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### **4.5 OBJECTIVE SETTING**

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The term objective setting is used more often than not but seldom people take it in a serious sense and would like to make general statements which may not be formal, explicit or sometimes illegal as well. A sincere effort to set objective of an organisation should be made with formal procedure and meeting, recognising explicitly what needs to be achieved and should also be legal in nature. Majority of the times, it is the top management which determines the overall objectives of the organisation with which the member agrees and tries to achieve it. While in some organisation, the objectives are set by shareholders through voting. Setting objectives may look an easy task but it is one of the complex tasks in the world. So many factors require to be considered when the objectives are being set. If an organization ignores them, it suffers in the long run. These factors could be value system, strengths and weakness of an organisation, opportunities and threats are available in the environment.

The management needs to celebrate on various aspects and should involve all the concerned parties in order to set a sustainable objective for an organisation. The objectives can be general in nature or it can be specific or both. General objectives are normally broad which needs to be transformed into action through various tactical plans. The specific objectives should prescribe the manner in which general objectives may be achieved as there is always end means chain.

### **GUIDELINES FOR OBJECTIVE SETTING.**

1. It must be clearly specified.
2. It must be taking into account various factors affecting their achievement.
3. It must be consistent with the organisational mission.

4. It must be rational and realistic in nature.
5. It must be achievable and should throw a challenge to prove responsible for achievement.
6. It should yield specific results towards the end.
7. It should also be periodically reviewed.

❖ **CHECK YOUR PROGRESS**

**1. Multiple Choice Questions (MCOs)**

- 1. Is planning pervasive in nature?**
  - a. Yes
  - b. No
  - c. Can't say
  - d. Subjective matter
- 2. Which of the following is for a short term planning?**
  - a. Tactical
  - b. Informal
  - c. Strategic
  - d. Both A & B
- 3. Which of the following planning depends on dynamics of environment?**
  - a. Proactive
  - b. Reactive
  - c. Formal
  - d. Informal
  - e. Both A & B
- 4. \_\_\_\_\_ are the anticipated environment in which plans are expected to operate.**
  - a. Roadblock to planning
  - b. Approaches to planning
  - c. Planning premises
  - d. Objective setting
- 5. Find the odd one out.**
  - a. Problems of Rapid change
  - b. Inflexibilities
  - c. Failure of people
  - d. Organizational effectiveness
- 6. Which of the following is not true regarding objective setting?**
  - a. It must be clearly specified
  - b. It must be said taking into account various factors affecting their achievement
  - c. It must be consistent with the organizational mission
  - d. Not on the least
- 7. \_\_\_\_\_ is formulated at the top level of the management**
  - a. Business Level Strategy
  - b. Corporate Level Strategy
  - c. Function level strategy

d. Both B & C

**2. Descriptive Questions**

1. What is Planning? Discuss features of planning
2. Discuss the concept of planning along with features and importance of planning.
3. Explain in detail the planning process/steps in planning/planning procedure
4. What is planning? What hinders successful planning?
5. Discuss the limitations of planning
6. Discuss in detail the limitations/roadblocks of planning.

**3. Short Notes**

1. Features of planning
2. Importance of planning
3. Objective setting
4. Forecasting
5. Limitations of planning in brief

**MCQ Answer :-**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>a</b>	<b>d</b>	<b>e</b>	<b>c</b>	<b>d</b>	<b>d</b>	<b>b</b>

**5.1 INTRODUCTION****5.2 BENEFITS/ADVANTAGES OF GIVING INCENTIVES TO  
ENTREPRENEURS****5.3 OBJECTIVES OF INCENTIVES:****5.4 STATE GOVERNMENT SCHEMES****5.5 GOVERNMENT INCENTIVE SCHEMES****5.6 NEED FOR EDPS****5.7 OBJECTIVES OF EDP****5.8 ENTREPRENEURSHIP AND SKILL DEVELOPMENT  
PROGRAMME (ESDP)****5.9 PHASES OF EDP****5.10 EDP INSTITUTES****❖ CHECK YOUR PROGRESS**

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**5.1 INTRODUCTION**

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India is steadily on its way to establish a strong ecosystem for the startups in the country. With a view of promotion and support the entrepreneurs, a specific ministry has been established by the honorable Government of India in order to help new and growing businesses. Furthermore, many new schemes and programs are introduced by the Government of India to boost the entrepreneurship scenario in India which can assist the emerging startups financially as well.

Many incentives and financial assistance are provided by the Government to the entrepreneurs directly or indirectly. The main objective of such kind of incentives is to increase the productivity and scalability of these startups. It motivates the entrepreneurs to perform in a better way. The aforesaid can be categorized in the three parts, i.e., concession, subsidy and bounty.

A lump sum one time amount is given by any government to entrepreneur for recovering or supporting any activity in financial form is termed as subsidy. Whereas bounty is given to an industry so that particular industry can compete with other industry in national as well as international markets through any financial help.

**Subsidy:** It is a onetime lump sum amount given by the state or the central government or the government units to the entrepreneurs. The basic objective of subsidy is to cover the cost of the project.

**Bounty:** A new venture needs the financial help in order to compete with the local as well as foreign industries operating in the same business. It gives an entrepreneur the confidence of sustaining.

**Concessions:** Concession is the financial benefit in the form of reduction of rate of the raw materials or other services.

“Encouraging productivity” is the general meaning of Incentive. Incentive acts as a motivating force for growth and expansion of entrepreneurs. Incentive supports entrepreneurs to create new innovative ventures for the betterment of society and nation at large.

Government supports entrepreneurs by providing incentives for encouraging and supporting them, increasing their productivity and motivating the budding entrepreneurs. Incentives are given in the form of bounties and concession at times and in the form of subsidies as well.

Incentive is nothing but the additional Advantage. It incorporates the concessions, subsidies as well the bounties. It may be financial and it can also be non-financial. The objective of the non-financial incentives is to drive the entrepreneur towards decision or action. In India, entrepreneurs are offered with a number of incentives. The main aim of the incentives is to reduce most of the problems faced by micro, small and medium scale organizations.

Industrial colonies, industrial bodies, availability of electricity and power, finance at lower rate, capital investment subsidy, transport subsidy are a few examples of incentives to solve constraints faced by entrepreneurs in micro, small and medium scale industry.

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### 5.2 BENEFITS/ADVANTAGES OF GIVING INCENTIVES TO ENTREPRENEURS

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Below mentioned are the advantages of giving incentives to entrepreneurs.

#### 1. Delegation of economic power:

Incentives inspires prospective entrepreneurs to take up industrial schemes and results in decentralization of economic power in few hands.

#### 2. Balanced regional development:

Entrepreneurs who set up industries in backward areas are given incentives. Therefore, it results in the spread of industries in the geographical area of India and contributes to the balanced development of the region.

#### 3. Transformation of Technology:

Incentives help in transforming traditional technology into modern technology. Traditional technology is characterized by low skill; low productivity and low wages, while modern technology is characterized by improved skills, higher productivity, higher wages and higher standard of living.

#### 4. Overcomes Difficulties:

Entrepreneurs are given a package of incentives and concessions for setting up units in both backward and developed districts. It is normally allotted for setting up units in mofussil area. It is provided to compensate for the loss prevailing at such places.

#### 5. Generates Industrialization:

Industrial policy uses incentives to correct market imperfections and

accelerate the process of industrialization in the country. Regional balances can also lead to the effective use of regional resources and addresses inequalities in income and living standards, and contribute to a more integrated society.

### **6. Encourages Entrepreneurship:**

New entrants to the sector face several hurdles due to inadequate infrastructure. A new entrepreneur is aided by government agencies through various incentives. Being a new entrepreneur, an entrepreneur in marketing and new entrants to the sector face several hurdles due to inadequate infrastructure.

### **7. Helps to Overcome Competition:**

Incentives aid the entrepreneur for the purpose of survival and the possibility to compete with the competitors. Some incentives are related to the existence and development of industries. Many incentives are limited to the first few years of the establishment of the unit, while some of them are provided over a longer period.

*“Take up one idea. Make that one idea your life, think of it, dream of it, live on that idea, let the brain, muscles, nerve, every part of your body be full of that idea and just leave every other idea alone. This is the way to success.”*

*- Mr Narendra Modi, Prime Minister of India*

Right now, India is in the midst of a startup boom, the magnitude and scale of which has exceeded all previous records. Inspired by the Government of India's Startup India Standup India Action Plan, which was unveiled in 2016, Indian entrepreneurs are currently being presented with excellent opportunities and platforms to aid their growth.

As of March 30, 2018, there are 8625 'officially defined' startups in India, covering every possible sector such as healthcare, manufacturing, IT, robotics, services, automobiles, food, grocery and more. This year alone, around \$4.2 billion of VC money has been raised for Indian startups (as of October 2018) which is 108 per cent more than the last year. And the evolution seems unstoppable so far. NASSCOM has already declared India as the fastest growing startup ecosystem in the world and the third largest tech startup ecosystem in the world (2017). If you are a budding entrepreneur, this is the best time to kick start your venture and make your dream come true. In the last few years, the Government of India has launched several schemes and programmes aimed at helping startups and further promoting the 'culture' of entrepreneurship among Indians.

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## **5.3 OBJECTIVES OF INCENTIVES**

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### **1. Removing Economic Constraints :**

Entrepreneurs are often seen to encounter issues such as

- Adequate infrastructure problem

- Project supporting offices in nearby locations
- Availability of applicable knowledge and information such as technical knowhow, management skills, market research intelligence, etc. as and when required

Supply of incentives by the government namely power availability, concessional finance, subsidies for capital investments, transport subsidies, etc. aims at solving such issues and facilitate entrepreneurship development in the country.

Entrepreneurs time and again face various types of constraints. For example, proper infrastructure, distant locations of relevant offices and institute for the projects, deficit of relevant knowledge by entrepreneurs, viz., management skills knowhow, market research acumen, etc. Thus, incentives of the government in the form of power availability, concessional finance, subsidies for capital investments, subsidies for transport, etc. aim at reducing such constraints and promote entrepreneurship.

### **2. Encourage regional uniformity in development**

Regional equality is one of the important concerning factors of Indian economy. In order to encourage equitable development that leads to regional equality, i.e., there is equal progress in all regions, the government provides exceptional incentives for uplifting entrepreneurs of the backward regions.

In India, imbalance is observed in the development in various geographical regions. Some are properly established while others are underdeveloped. To ensure equal development of all the regions, government gives packages for establishing entrepreneurs across regions.

### **3. Make entrepreneurs competition ready**

- a. Small Scale firms or enterprises usually start and budding entrepreneurs observe strong competition from big firms. For thriving and surviving in the competitive market, various kinds of supports are required. the absence of proper and relevant support would lead to the failure of new budding enterprises. Thus, it is required to make enterprises competition ready and provide appropriate incentives as and when required.
- b. Various relevant and applicable incentives can be reservation policy, preference of price, preferential purchase, etc. that help in improving competitive strength.
- c. In the context of global economy market, entrepreneurs are vehicles of economy and its development. SMEs carry calculated importance in economy of the nation. The government promotes firms/enterprises including small ones while supporting entrepreneurs and their projects. It opens door for new job positions, supporting gross domestic product (GDP) rise, and increasing standard of living for the betterment of the population.
- d. Enhancement of competitive capability: SMEs established by budding entrepreneurs face strong competition from big enterprises in this

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competitive world. In the absence of appropriate support from the government and country, they might not survive and growth of them would become a challenge. Thus, special incentives like reservation policy, preferential purchase, preference of price, etc., stimulate and facilitate competitive strength.

- e. Entrepreneurs in the recent global economy have become the engine of economic growth and expansion. In majority of cases, ownership is observed to be private leading to increased entrepreneurial spirit, improved flexibility and adaptability improving their capability in reacting to constant challenges and ever-changing environments. Increase in the number of enterprises results in a sustainable growth and generation of employment. Small and medium enterprises are considered as the backbone for any economy due to more than one reason. Thus, the government supports this kind of enterprises through various schemes and assistance. SMEs can become employers resulting in a surging GDP which in turn results in upgrading standard of living of general population. The government aids SMEs and supports entrepreneurs in many possible ways to create new employment opportunities, increasing gross domestic product (GDP) and expanding living standard of general public in mass. The government supports entrepreneurs by launching various schemes that either support or protect new age entrepreneurs.
4. **Training:** With the aim of bettering entrepreneurial skills, the government provides training at various levels to entrepreneurs that may range from basic training to advance one that sharpens entrepreneurial skills in one way or the other. With this objective the State and Central Governments associated Technical Institutes avail technical trainings that are need based. Various EDPs (Entrepreneurship Development Programme) are also conducted by non-government institutions along with the government agencies.
5. **Marketing Assistance:** Governing and non-governing bodies also provide assistance dedicated to marketing for entrepreneurs. The government agencies aids and assist MSME and their products through various exhibitions cum fair. National Small Industries Corporation promotes products of MSMEs in international markets as well. NSIC encourages simple and easy registration in single point (2003) for government purchases from manufacturers. Aadhar Udyog registration certificate is provided to all eligible MSMEs. Units are classified into micro, small or medium on the basis of investment. The registered MSMEs enjoy the advantage of free tender and also get exemption from earnest money and guarantee of performance. National Institute of Micro, Small and Medium Enterprises provides industrial extension facility. NSIC facilitates machinery supply by hire-purchase. All government agencies and departments set annual goal of minimum 20% of total purchase is rendered by MSME units.
6. **Promotional schemes:** Highest preference is given to the formulation and implementation of conducive scheme and government policies by the government to promote major MSMEs. Sheds and land development are also provided with required infrastructure on actual cost by the government.



Dedicated schemes are arranged for

- i. consultancy services
- ii. upgradation of quality
- iii. technical modification and upgradation with financial assistance
- iv. export and domestic marketing assistance
- v. aided advantage to set up enterprise in rural and backward areas
- vi. entrepreneurship development, and other common facilities at minimal charges

### **7. Credit Facilities:**

Priority Sector Lending (PSL) is established with the aim of special preference lending allotted to few sectors one of which is MSME sector, while others include agriculture, housing, education lending, etc. Small Industrial Development Bank of India was also established with the objective of financing small entrepreneurs by coming with various schemes and implementing them to the fullest. Collateral security free loans are provided by scheduled banks to small and budding entrepreneurs. The limit of this type of loans varies. Excise duty concession by giving exemption through variable level of annual turnover.

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### **5.4 STATE GOVERNMENT SCHEMES**

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State Government schemes include

- Setting up district industries center and directorate of industries to provide technical and other required support to MSMEs
- Power subsidy
- Sales tax deferment or suspending sales tax
- Consultancy support
- Providing water and electrical infrastructure on priority basis
- Developing schemes dedicated to seed capital assistance
- Margin money aid/ assistance
- Capital incentive subsidies for new upcoming enterprises in selected/ backward/ rural districts

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### **5.5 GOVERNMENT INCENTIVE SCHEMES**

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The Government of India promotes business development in vibrant manner through various subsidies and schemes. Benefits of subsidies vary from less capital cost, reduced interest rate or fast break-even achievement. Some of the subsidies for Indian entrepreneurs include various initiatives like first electronic G2B eBiz Portal that was launched in 2013 by Infosys to promote and transform holistic business environment in the country. As it was a government-to-business portal, it was public private partnership (PPP) model. It was launched in Tamil Nadu, Haryana, Andhra Pradesh, Delhi and Maharashtra.

In 2014, the Government of India established a whole ministry dedicated to the uplift and growth of new budding entrepreneurs having various skills. The ministry was named as Ministry of Skill Development and Entrepreneurship.

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The objective was to provide aid by developing various skills and funding the gap to reach and benefit maximum number of people. Through this dedicated industry, a required push was given to entrepreneurs by the government.

**MUDRA Bank:** PMMY was launched in 2015 with the aim of providing financial support to small units in India. For boosting credit facility and encouraging growth particularly in rural areas, Micro Units Development Refinance Agency banks were established. The banks provided loan to small farm units and micro units. The loan limit is INR 10 lakhs categorized under the nomenclatures such as *tarun*, *shishu* and *kishore*. No collateral security was mandated for loans under Pradhan Mantri Mudra Yojana scheme. To promote business culture in India, the budget allotted to the scheme was INR 10,000 crore in the first year.

**ASPIRE:** The Government of India initiated A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE) to promote Micro, Small and Medium Enterprises through MSME industry in 2015. The objective behind the scheme was to upgrade social and economic aspects of rural and backward areas of India as 56% of Indian population lives in such areas. Special training and awareness are given to entrepreneurs for starting their businesses and emerging as sustainable employers. These schemes aim at encouraging innovation with poverty control with promotion of agricultural business. Thus, this scheme works at grass root level and INR 62.5 crore was the allotted for the first year of the scheme to boost overall economic development.

**Startup India Initiative:** In the year 2016, the Prime Minister of India launched this Initiative with the aim of increasing wealth and employment opportunities to lift spirits of entrepreneurs. For SC/ST and women entrepreneurs, special packages are provided. Here, at least one SC or one ST and one woman borrower should be there as a mandate to set up a green field enterprise based on trading, services or manufacturing sector. Also, women or SC/ST candidates should hold 51% stake in non-individual unit to be classified as a green field enterprise. The government aided benefits of tax for around 50000 recognized startups. The DIPP (Department of Industrial Policy and Promotion) is taking the scheme for longer period of time to provide consistent benefit to startups. The upper age limit for startups is 7 years which was initially 2 years only (the biotechnology startup upper limit is 10 years, since the date of inception). It also provides other concessions for entrepreneurs making it one good sustainable scheme by the government.

In 2015, Atal Innovation Mission was launched by the Government of India, dedicated to the former Prime Minister of India Mr. Atal Bihari Vajpayee. The scheme had the objective to promote innovative research and development on national and international level which involved academicians by providing supporting platform to them. Rs. 150 crore was allocated in the first year.

In the Union Budget of 2017-18, the Government of India announced Dairy Processing and Infrastructure Development Fund under National Bank for Agriculture and Rural Development (NABARD) to promote fishery, dairy and animal husbandry industries. The budget allocated was INR 8000 crores for 3 years period. Milk producing units, dairy state federations, multi-state

cooperatives and milk unions could be eligible for 80% loan component and minimum rate of 20% as borrower contribution. The interest rate of loan was 6.5% to be repaid in 10 years. The guarantor of the loan is the respective state government which aid in milk processing and production, transporting and preserving milk along with the procurement.

### **Credit Linked Capital subsidy scheme :**

Various Indian Small-Scale Industries continue to produce goods and products with obsolete technology and outdated plant and machinery. The reasons are lack of awareness regarding capital access, quality standards and state-of-art technology. However, globalized and liberalized market has mandated upgradation and transformation of equipment as are necessary for survival and progress of the unit. In an effort to stimulate the technology modernization of SSI in India, the Ministry of Small-Scale Industries is coming up with a scheme for technology transformation named Credit Linked Capital Subsidy Scheme. This loan can be availed as a term loan for working capital with zero collateral for micro, small and new units.

The CLCSS aids 15% of subsidy to small scale units on their finances availed by them for the purpose of initiation of well-established and modern technology in almost all segments approved under this scheme. The loan amount can go up to Rs.1 crore. Aforesaid is the fund trust for Micro and Small Enterprises has launched this unique Government scheme to help assist retailers, educational institutes, self-help groups, farmers and MSMEs. In fact, this scheme is launched in order to make it easy for the credit delivery system to work efficiently, as the guarantee cover up to 85% is provided to the MSMEs for loans up to Rs 5 lakh.

**Cold Chain Establishment subsidy:** A robust and strong food processing segment has avital function in reducing the wastage of perishable agricultural products , upgrading shelf life of these products, stimulating the income of agricultural farmers and expanding surplus by exporting agro as well as processed foods. With the aim of developing a robust food processing industry, the Ministry of Food Processing Industry enhances subsidies for establishing cold chain. The objective of the scheme is to give financial aid for integrated cold chain and provide infrastructure facilities for preservation and controlling break from the gate of the farm to the end customer. It includes pre-cooling facility at the site of production, mobile cooling units and value addition centre such as centre for processing, centre for collection, etc. Industries that will benefit from these facilities are marine and meat, dairy and poultry, organic and horticulture production.

Financial aid of fifty percent of the total cost for plant and equipment, civil and technical works are in general areas. The same goes up to seventy five percent for eastern region including Sikkim, Himachal Pradesh and Uttarakhand whereas Rs.10 crore is the maximum aid provided as financial aid under this scheme.

**Fund Scheme for Technology Upgradation:** The second largest employment provider after agriculture sector is Textile sector contributing to about 14% of industrial production, GDP (4%) and country's export earnings as 17%. Direct employment to about 35 million heads was provided including

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considerable number of women candidates and SC/ST. The Ministry of Textiles came up with flagship incentive scheme that guides the industry in improving technology to get at par with global standards and climb heights in the industry. Reimbursement of 5% interest is envisaged under this scheme (TUFS) by banks and financial institutes for upgrading projects under textile technology. This scheme also provides assistance in the form of profit margin or capital linked subsidy for various projects/ activities such as machine looms, textile technology manuals, apparel machines, electric machine looms, effluent plants, etc. related to textile industry.

**Subsidy related to acquisition of Quality Management system:** Optimization of internal process has become a mandate for MSMEs for competing successfully and improving profitability for implementing quality standards in the competitive global market. ISO 9000 certification is provided at 75% of actual cost which has maximum ceiling of Rs. 75000. It is one of the types of financial support aided by the government in this scheme. The same scheme is applicable for ISO 14001 certification as well wherein the government tries to promote adoption of quality and maintaining standards by MSMEs of Indian origin.

**Zero Defect Zero Effect (ZED)** scheme was launched for the manufacturing sector to create awareness and promote timely assessment for continuous holistic improvement and motivating MSMEs to obtain ZED certificate.

**Interest Subsidy:** The Government of Gujarat promotes investment in industrial sector to make the state favourable for investors by providing extra added interest subsidies to add extra units to the existing industries or make new investment in the state through diversification, machinery modernization, upgrading technology or capacity addition. This interest subsidy is one of the reasons of Gujarat being considered as a highly industrialized state of the country. MSME is the true backbone to make a strong sustainable economy and through this scheme, Gujarat government aids added subsidy in interest up to 7% and 5% for micro units and small medium units respectively. Also, added aid of 1% subsidy in interest is provided for the first project of any entrepreneur below thirty five years of age. Priority is given to women entrepreneurs. The ceiling of the scheme is Rs 25 lakhs of the subsidy till the tenure of 5 years.

### **Small Capacity and Solar Lighting PV systems Capital Subsidy**

Jawaharlal Nehru National Solar Mission was launched by Indian Government to support and increase growth of generation of sustainable energy and supporting the increasing need of energy in India to stimulate and attend energy security challenge of India. The scheme provides aids in the form of soft loans and subsidies to promote solar energy usage and penetrating the higher usage of the same in the country. From special category states such as Sikkim, Uttarakhand, Jammu and Kashmir and Himachal, up to 90% capital subsidy can be availed for benchmark cost. The same goes to 40% of benchmark cost for approved units of small capacity solar lightening systems and photovoltaic systems. The Government of India aims to develop 40,000 MWP of Grid rooftop solar plants in upcoming 5 years to enhance reliable support on non-conventional power source. The capacity of roof top can vary from 1 KWP to 500 KWP depending on region, viz., commercial,

institutional, residential or industrial set up. This type of roof top can generate solar electricity of approximately INR 7 per KWH in absence of subsidy as well. The government provides 15% subsidy for individual or associated companies' plant set up.

Also, National Clean Energy Fund (NCEF) in association with Indian Renewable Energy Development Agency Ltd. (IREDA), came up with refinance scheme for small hydro and biomass power projects by providing lower interest rate and cost cutting.

### **International Patent protection support for IT Industry and electronics**

**Industry:** MCIT, Information Technology department of Government of India came up with a scheme for providing financial assistance to startup units in technology sector for international patent filing to promote indigenous innovation and also creating value by making units capable to compete for Intellectual Property Rights globally. The scheme also facilitates to create new global opportunities in electronics and IT sector. Various activities which are subsidized under this scheme are searching cost for patent, filing cost, attorneys' cost and granting subsidy for national entry phase. Up to 50% reimbursement of total cost of patent filing is covered in this scheme. Also extended assistance of Rs fifteen lakhs compared to total incurred expense (the minimum one) is aided in this scheme.

The Software Technology Park assistance is a majorly export-oriented subsidy dedicated for the facilitation of export of IT software. Exporting professional services through communication media is also included in the scheme. The scheme focuses on only computer software sector and thus is unique. The assistance inculcates the concept of "Cent percent Export Oriented Units", "Export Processing Zones", while promoting Technology Parks as well as software part which can operate from anywhere in the world.

**Samridh Scheme:** In the year 2021, the Government of India came up with a scheme called SAMRIDH for uplifting startups in stimulating funding and developing skill sets of startup businesses as and when required. Various sectors like Aviation, tourism and hospitality were majorly affected by Covid 19 pandemic due to lockdown and other restrictions imposed for prevention of the deadly virus. Stimulus packages are prepared for these sectors that help their survival in this struggling phase of the pandemic. The finance ministry also announced other related stimulus packages for SMEs of aviation and tourism sectors. Relaxation on few restrictions was also allowed by government to give a boost the declining economy during pandemic phase.

National Small Industries Corporation or NSIC has launched Raw Material Assistance Scheme, which aims to assist manufacturers and MSMEs in procuring indigenous and imported raw materials. Government schemes help the manufacturer to focus on the quality of their products, as they can get low interest loans and financial assistance for obtaining raw materials.

**Seed Fund for Start Up India:** In 2021, Prime Minister Narendra Modi announced seed funding of INR 1000 crore to facilitate aspiring entrepreneurs and their innovative ideas. The government is also trying consistently to take steps to aid capital shortages of budding entrepreneurs of India. The reserved fund of Rs 100 crore dedicated to seed funding initiative was also

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raised to Rs 284 crore approximately in Union Budget 2022.

Recently “Kisan Drone” concept is also encouraged for better assessment of crop, land records digitization, and insecticides/ pesticides as well as nutrients spray. A hefty budget of INR 1.32 lakh crore was allocated for the development of rural and agricultural startups to promote entrepreneurs of agricultural industry. A testing with 100 drones all over the country is flagged off.

Similarly Drone Shakti initiative was also launched in 2022 by the Government of India. This initiative encourages various drones usage including in service by promoting Made in India drones.

For promoting innovation of indigenous products, Electronics and Information Technology department came up with Multiplier Grant Scheme. The scheme promotes research in industry as well as academic institutes to develop indigenous ideas and products. For projects with less than 2 years duration, maximum allocated amount is INR 2 crores and for 3 years project in industry associations, it is INR 4 crores. Twice the financial support is provided by the government, which the industry gives and commercialization of the same is also encouraged. Under M-SIPS (Modified Special Incentive Package Scheme) the government promotes large scale manufacturing design in electronic system design where the government provides 20% subsidy to SEZ capital investment and 25% subsidy to non-SEZ. Also, taxes and duties are reimbursed for high capital and technology investment units. Extramural funding scheme was also launched with the same aim for promoting research in science and engineering areas. The scheme has been renamed later to Core Research Grant Scheme to promote and aid active researchers. To promote and facilitate new proposals, the Government of India launched High Risk-High Reward scheme promoting research in the domain of science and technology where new hypotheses are formulated and scientific breakthrough are achieved.

**The Venture Capital Assistance Scheme (VCA):** Consortium of Small Farmer’s Agri- Business came up with the Venture Capital Assistance scheme for farmer-entrepreneurs’ welfare and for developing their agri-business. RBI regulated financial institutions and banks approved this scheme. The objective of the scheme is to provide term loans to farmers thus assisting capital requirement necessary for implementation of any project. Also nurturing is provided to agri-entrepreneurs along with training assistance. The upper limit for loan amount is INR 50 lakhs which can vary for hilly regions and thus loan quantum may vary.

With such a wide range of schemes and incentives from the State and Central Governments, India can aim to be the leading nation in successful start-ups fulfilling the vision of Atmanirbhar Bharat. The government is promoting various subsidies for survival of entrepreneurs and growth of small startup units. The government is motivating young budding entrepreneurs through various EDP programmes. Entrepreneurship Development Programme facilitates developing entrepreneurial ability. Students enrolling for the EDP are trained by developing their skills required to start and survive a successful startup and business. The programme aims at incubating new

entrepreneurial skills and polishing the existing skills. Entrepreneurial motives are developed among students by acquainting them with new competencies. EDP, thus, shows strong positive effect on behaviour and values of entrepreneurs.

### **Entrepreneurship Development Programs**

EDP is a pre-defined process which refines and inculcates proficiencies, recognizes and designs those skills of entrepreneurs as are required for successful setting up of new startup unit. This programme aims at building aptitude and attitude towards becoming new growing entrepreneurs who are aiming for private funded businesses.

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### **5.6 NEED FOR EDPS**

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Entrepreneurs have certain capabilities or characters. These capabilities or characteristics play the role of the catalysts which further result in greater results and which separate the lot into successful and not so successful. But the important question is that what are these traits and where do they come from? And is it possible for the traits to be induced, developed in the entrepreneur or it is in the genes?

It simply means: is it possible to convert anybody into an entrepreneur or the entrepreneurs are born? Many specialists have tried to see the answer to these questions. David C. McClelland (1961) at Harvard University tried to understand why few societies have always displayed greater creative powers at a particular phase in history? What led them to this? And he concluded that “the need of achievement” is what the answer to the question.

It was the need of the achievement that drew the people to work hard and achieve the objective and more. It was never about money making, money making was always the byproduct. And to understand whether it is possible to induce the need for achievement, he conducted a five-year experiment in a district of Andhra Pradesh state of India in collaboration with SIET, Hyderabad. This experiment is popularly known as “Kakinada Experiment”. During this experiment, young people with specific temper were selected and put through a 3 months training and were also motivated to see and seek fresh goals. One of the significant conclusions of the aforesaid study was that the entrepreneur did not seem to inherit the traditional belief system. With suitable and proper training, a person can convert him or herself into an entrepreneur.

This program was considered to be the seed of entrepreneurship development programmes in India. And it also made it significant in the eyes of experts that the entrepreneurship training is important and essential and can make a great difference in the carriers of potential young entrepreneurs. And this resulted into Gujarat Industrial Investment Corporation (GIIC) initiating 3 months training programme for entrepreneurship development. Considering the positive results of the said programme, the Government of India established a massive program on ED in the year of 1971. And the scenario of entrepreneurship development has always flourished there on. Currently, there are nearly 686 institutes in India conducting short term and long-term courses

in the field of entrepreneurship development giving thousands of fresh minds the opportunity to train and motivate themselves to be the next aspiring entrepreneurs. It is very important for you to know that India is the country having the largest entrepreneurship development programme for any developing country. And looking at the success of Indian entrepreneurship development programmes, many countries of Asia and Africa have adopted similar models.

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### 5.7 OBJECTIVES OF EDP

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- **Generation of New Employment Opportunities:** EDPs result in the creation of employment in developing as well as under-developed nations. It motivates and encourages new age youth to start their own enterprises, thus, making them self-employed and generating job opportunities for other public as well.
- **Generating Adequate Fund/capital:** Starting a new business requires ample funds that are aided by EDP agencies through various financial assistance schemes. Various financial institutes like IFCI, ICICI, SIDC etc. are instructed by EDPs to promote and facilitate youth to become entrepreneurs by providing easy capital.
- **Optimum Utility for local resources:** Entrepreneurs prefer to utilize local resources due to easy availability and cost effectiveness. Proper resource utilization benefits the region/area as well. EDP guides and motivates entrepreneurs for the effective utilization of local resources and thus benefiting geographical area as well.
- **Increasing Per Capital Income:** Entrepreneurs utilize the factors of production in the most efficient manner by establishing a business unit. This progress leads to the growth of production, employment and wealth. As a result, productivity along with per capital income increases in total.
- **Raising Standard of Living:**  
EDPs educate entrepreneurs with the latest technologies and innovative procedures that help them increase production with minimum cost. This also teaches entrepreneurs to take advantage of the available resources and manufacture quality goods and products that can improve standard of living.
- **Economic Independence:** EDP supports the entrepreneurs for producing wide and innovative variety of products in bulk quantities at competitive rates. It also enables them to come up with new and improved substitutes of imported products preventing the country of becoming dependent on other foreign nations. This saves foreign exchange of the nations' currency.
- **Prevention of Industrial Slums:** Industrial slum issue is faced by majority of the developed industrial areas leading to overburdening of public utilities which adversely affect the health of mass public. EDPs offer various subsidies, financial aids, incentives, and infrastructural facilities to budding entrepreneurs for establishing their startups by preventing industrial slums' growth.
- **Fighting Social sickness:** Maximum number of educated youngsters in the



society is at social unrest and tension. This social tension prevents youngsters to move in the right direction in their careers graph. Most of them feel frustrated if proper job offers or campus placements are not received. Here, EDPs guide youngsters through proper assistance and training of how to establish new business enterprises and thereby reduce social sickness by generating self-employment opportunities.

By facilitating entrepreneurship skills among mass people, EDPs help in an overall development of the economy and country. Innovation of new products, services at low goods, creating new opportunities, raising standard of living and overall productivity increase are a few outcomes of EDP that is facilitating an overall development of the economy and the country.

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### **5.8 ENTREPRENEURSHIP AND SKILL DEVELOPMENT PROGRAMME (ESDP)**

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The objective of the accursed programme is to motivate young and fresh minds of all the sections including weaker sections of the society and promote new enterprises having the capacity to convert into sustainable businesses. It also motivates the youth to consider self-employment and entrepreneurship as a prominent career option. It has been decided in the scheme itself that it should have at least 40% female participation.

Below mentioned are the parts in the scheme:

(i) Industrial Motivation Campaigns (IMCs):

Industrial motivation campaigns for two days are organised in order to identify and further motivate the traditional or non-traditional entrepreneurs to set up MSMEs. One motivation campaign is organised to propagate the schemes for promotions and developments of MSMEs.

(ii) Entrepreneurship Awareness Programmes (EAPs)

To fulfil the substantial goal of making the talent of youth setting up sustainable MSMEs, awareness programs are organised regularly. This type of programme is generally organised in Industrial Technical Institute, Polytechnic and other technical institutes where people with skills are available to enlighten themselves with the important and useful information given to them. Here, the experts give them an idea about the project profile preparation, marketing possibilities, infrastructural requirements, findings, accounting, cash flow and product presentations etc.

(iii) Entrepreneurship-cum-Skill Development Programme (E-SDP)

Programmes are organised to give an upgrade to the skills of prospective potential entrepreneurs, existing workforce and also to freshers so that they can be converted into entrepreneurs working in MSMEs. The objective of the programme is to provide training for the skill upgradation and equip the aforesaid with greater and improved technological skills of the production phase. These kinds of programmes are organised in all the regions of the states including the less developed areas having greater potential.

(iv) Management Development Programmes (MDPs):

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Management development programmes are the training programmes that emphasise on the improvement of decision-making capabilities of existing and potential entrepreneurs that may result in higher productivity and profitability and overall growth of the organisation. It inculcates various functions of management and tries to provide the participants a great exposure to managerial issues during the span of the programme. These programmes are of a shorter duration having a specific syllabus considering the industries of the particular area or the client's specific requirements.

### (v) Vocational and Educational Training:

Vocational training is considered to be very important in order to nurture entrepreneurship skills. The concerned ministry conducts long and short term courses which are specific to a specific area or industry or set of people.

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## 5.9 PHASES OF EDP

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Phases of EDPs: All the EDPs majorly comprise three phases, namely, pre-training, training and post-training.

### 1. Pre-training phase: This is a kind of introductory phase of most of EDPs.

It is commenced with the launching of EDP only. Activities taken care in this phase are:

- a. Identifying suitable locations in the district to start operations
- b. Selecting a course coordinator to coordinate EDP activities. A project leader can also be selected.
- c. Arranging for required infrastructure facilities in the programme
- d. Performing survey and scanning the environment to avail better opportunities
- e. Performing related promotional activities on online/offline platform
- f. Bringing in different agencies, NGOs, experts to contribute to the programme
- g. Distributing application forms and selecting committee to screen candidates
- h. Preparing budget and contacting guest faculties if required
- i. Contacting financial agencies like banks, NSIC, etc.
- j. Conducting campaigns for increasing applicants.

### 2. Training Phase:

This phase involves the main function of imparting training to the screened candidates through proper procedure and prepares the candidate to start a successful enterprise. The training tenure ranges from 4 to 6 weeks. Appraisal and assessment of the training is also performed. Activities highlighted in this phase is tabulated below,

Goal	Centre of attention	Key input
Promote entrepreneurial skills of Entrepreneurship for building up the confidence	Entrepreneur	Behavioral inputs
Establish the budding new enterprise by helping in decision- making process	Establishment and Creation of enterprise	Guiding to create Business opportunity through informed planned inputs, giving technical guidance. Mentoring in project planning and technical modernizing

Operating enterprise in profitable manner. Industry exposure and industrial knowledge exposure, aiming at performing successful operations.	Management of enterprise, first-hand knowhow of factory layout and sites, etc. Guidance related to factory layout, location of plant, management organization and so on	Management key inputs, regular plant visit/training, Management team suggestions after industrial training and visit
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**3. POST-TRAINING PHASE :**

This phase is a follow-up phase where assistance follow up is provided to the candidates after successful completion of the training. This is a crucial phase as candidates face real time difficulty in implementing skills and knowledge gained in the training. Thus, training organising committee helps trainees with counselling sessions extending help in setting business plan. Also, committee analyses implementation of the project done by the trainees with evaluation as well. Various tools to conduct a follow-up are individual contact, telephonic or postal follow up, questionnaire and team meeting.

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**5.10 EDP INSTITUTES**

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Some institutes that provide technical guidance and financial assistance are:

- Entrepreneurship Development Institute of India (EDI)
- Commercial Banks
- India Investment Centre
- Small Industries Development Organisation (SIDO)
- Technical Consultancy Organisation (TCO)
- National Alliance of Young Entrepreneurs (NAYE)
- National Institute for Entrepreneurship and small Business Development (NIESBUD)
- Small-scale industrial Development Bank of Delhi (SIDBI)
- Electronic Training and Service Institute
- Central Machine Tools Limited
- Sports Goods and Leisure Time Equipment
- Central Institute of Plastics Engineering and Tools
- National Institute of Foundry and Forging Technology
- Technical Consultancy Organisations (TCOs) like
- Andhra Pradesh Industrial and Technical Consultancy Organisation Ltd. (APITCO).
- Bihar, Industrial, and Technical Consultancy Organisation, Ltd.(BITCO).
- Gujarat Industrial and Technical Consultancy Organisation Ltd.(GITCO).
- Haryana-Delhi Industrial Consultants Ltd. (HARDICON).
- Himachal Consultancy Organisation Ltd. (HIMCO).
- Industrial and Technical Consultancy Organisation of Tamil Nadu Ltd. (ITCOT).
- Jammu and Kashmir Industrial and Technical Consultancy Organisation Ltd. (J&KITCO).
- Karnataka Industrial and Technical Consultancy Organisation Ltd. (KITCO) etc.

Thus, the chapter has discussed about various types of schemes and incentives offered by the government for entrepreneurs, different types of

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subsidy and concessions .The chapter has also mentioned EDP and its advantages along with phases.

### ❖ CHECK YOUR PROGRESS

#### MCQ

1. NSIC launched single point registration process in.....
  - a. 2001
  - b. 2002
  - c. 2003
  - d. 2004
  
2. First electronic G2B eBiz Portal was launched in.....
  - a. 2010
  - b. 2013
  - c. 2016
  - d. 2019
  
3. Ministry of Skill Development and Entrepreneurship was established in.....
  - a. 2011
  - b. 2012
  - c. 2013
  - d. 2014
  
4. MUDRA bank loan limit is .....
  - a. 8 lacs
  - b. 10 lacs
  - c. 12 lacs
  - d. 14 lacs
  
5. ASPIRE was initiated in.....
  - a. 2013
  - b. 2014
  - c. 2015
  - d. 2016
  
6. Women or SC/ST candidate should hold.....stake in non-individual unit to be classified as green field enterprise.
  - a. 25%
  - b. 51%
  - c. 15%
  - d. 75%
  
7. DIPP stands for .....
  - a. Department of Industrial Policy and Promotion
  - b. Department of Industrial Products and Promotion

- c. Department of Institute Policy and Promotion
- d. Department of Industrial Policy and Progress

**8. AIM launched in 2015, stands for .....**

- a. Atal Innovative Memory
- b. Atal Institute Memory
- c. Atal Innovation Mission
- d. Atal Innovative Mission

**9. In Credit Linked Capital subsidy scheme loan amount can go up to .....**

- a. 50 lacs
- b. 1 lacs
- c. 2 lacs
- d. 3 lacs

**10. ZED stands for .....**

- a. Zero Default Zero Effect
- b. Zero Defect Zero Error
- c. Zero Defect Zero Error
- d. Zero Defect Zero Effect

**11. NCEF stands for .....**

- a. National Clear Energy Funding
- b. National Clean Energy Fund
- c. Nation Clean Emission Fund
- d. Nation Clean Energy Fund

**12. M-SIPS stand for .....**

- a. Modified Special Incentive Pension Scheme
- b. Modern Special Innovative Package Scheme
- c. Modified Special Incentive Package Scheme
- d. Modified Special Innovative Package Scheme

**13. GIIC stands for .....**

- a. Gujarat Industrial Innovation Corporation
- b. Gujarat Innovative Investment Corporation
- c. Gandhinagar Industrial Investment Corporation
- d. Gujarat Industrial Investment Corporation

**14. ESDP stands for .....**

- a. Entrepreneurship and Skill Development Programme
- b. Entrepreneurs' Skill Development Programme
- c. Entrepreneurial Skill Development Programme
- d. Entrepreneurship and Skill Developing

## INCENTIVES AND ASSISTANCE TO ENTREPRENEURS & EDP PROGRAMS

### 15. SAMRIDH scheme was launched in .....

- a. 2020
- b. 2021
- c. 2019
- d. 2018

#### ❖ Short Questions

- 1. Define Subsidy, Bounty and Concession
- 2. How incentives help in removing economic constraints?
- 3. State phases of EDP

#### ❖ Long Questions

- 1. Discuss advantages of Incentives for entrepreneurs.
- 2. Discuss objectives of Incentives.
- 3. Discuss state government incentive schemes
- 4. Discuss in detail EDP phases.
- 5. Discuss need and objectives of EDP

#### ❖ Short Notes

- a. Write short note on how Incentives make entrepreneurs competition ready.
- b. Promotional schemes
- c. ASPIRE, MUDRA Bank
- d. Credit Linked Capital subsidy scheme
- e. Small Capacity and Solar Lighting PV systems Capital Subsidy
- f. Venture Capital Assistance Scheme
- g. Objectives of EDP

#### ❖ MCQ Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
b	a	c	b	c	b	a	c	b	d	b	c	d	a	b

**MBA**  
**SEMESTER-2**  
**ENTREPRENEURSHIP MANAGEMENT**  
**BLOCK: 2**

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- 6.1 INTRODUCTION**
- 6.2 IDENTIFICATION OF INVESTMENT OPPORTUNITIES**
- 6.3 TECHNICAL ANALYSIS**
- 6.4 MARKET ANALYSIS**
- 6.5 FINANCIAL ANALYSIS**
- 6.6 APPRAISAL CRITERIA**
- 6.7 PROFITABILITY ANALYSIS**
- ❖ CHECK YOUR PROGRESS**

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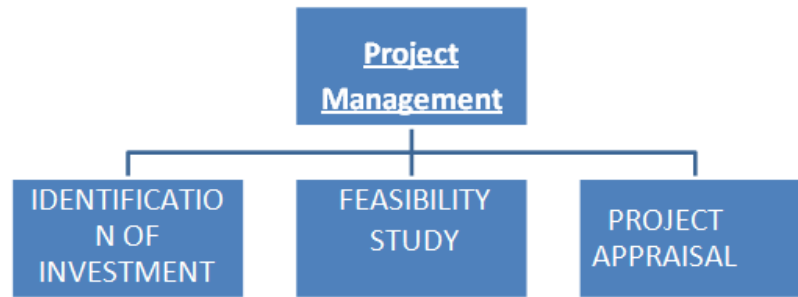
**6.1 INTRODUCTION**

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In our country, the significance of the project approach is not properly recognized. A scientific technique should be adopted by the entrepreneurs or promoters to establish an organization which is generally not followed by the initiators. Very few goes with the scientific thought while the rest are guided by the 'feel' that they have about the project idea. Thus, a need was felt to establish a uniform pattern that will help managers, entrepreneurs or promoters to measure the idea generated by them with some sort of scientific technique or tool which would evaluate the feasibility of the idea so as to avoid the conceptual pitfalls. The project management, thus, is proposed to discuss the various features of the project in the light of several tools in order to validate the project for generating anticipated commercial and financial feasibility.

The project planning or management initiates with the idea generation or identification of an investment opportunity by the promoter, manager or an entrepreneur which he or she is going to manufacture or deal in. Once the product is identified, the commercial, technical and financial feasibility is assessed and then lastly, if the feasibility study gives a green signal, one would actually engage oneself in preparing to implement the project so as to generate the expected return at the earliest.





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### 6.2 IDENTIFICATION OF INVESTMENT OPPORTUNITIES

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The success of any business would depend on discovering and exploiting the opportunities available in the market. The promoter has a major responsibility of identifying such opportunities in the market that will help the organization achieve the predetermined objectives. There is no point in going for all opportunities available in the environment. The opportunities which are consistent with the company's purpose, objective, philosophy or outlook should be exploited.

The first and the foremost step in project management is the idea generation. The manager or an entrepreneur needs to identify a proposal in which the funds of the business will be invested to earn the expected return. Normally, profit motive is the guiding factor in product identification. A manager is normally guided by those products or proposals which will help them yield the highest returns in short period. This particular tendency could lend a manager or an entrepreneur in trouble. Selecting a proposal or product on the basis of income generating capacity only without proper evaluation of the need for additional capacity in the same line would not only disturb the new project that he intends to start, but also the existing firm's as well. A manager or an entrepreneur should keep in mind the following points/ factors before selecting any proposal or product:

- Set of resources required to start the project
- The promoter's, manager's or entrepreneur's capacity to raise the required resources
- The capacity to manage the affairs of the endeavour that one intends to take up
- Technological requirements to a certain extent

The manager needs to be very imaginative and realistic at the same time in order to visualize opportunities for a particular type of business. The idea so generated must not only be feasible for the market but should also be favorable for the manager or an entrepreneur. The opportunity can be

identified or an idea may come from various sources such as demand for certain type of products or services, visits to some foreign trade fairs and exhibitions, government agencies, through one's own observation and so on. These few sources are discussed below:

### **1. OBSERVATION**

A careful observation of the markets on a continuous basis can help a person reveal a good workable business idea. One needs to constantly notice various aspects of a particular product, viz., current demand, target market, social class using the product, income levels, etc. Along with this, it is utmost necessary to forecast the future demand of the product after taking into consideration anticipated changes in fashions, income levels, technology, etc. Again, an attempt should be made to determine the level of supply required in the existing set up. The observation can always be supplemented by the advice of certain professional experts like dealers, consultants, banks, advertisement agencies, etc. which also gives valuable details regarding a product and thus, help the entrepreneur or promoter to find the most profitable line of business.

### **2. PROSPECTIVE CONSUMERS**

This is one of the best ways to grab an idea for investing the resources. Here, the promoter or a manager who intent to identify an investment proposal directly asks consumers regarding what are their purchase plan in future. What are their habits, tastes and preferences which are going to be popular in the near future? These days the firms do conduct various surveys before starting a new venture. They acquire the details of what exactly the consumers or users of the product seek and then manufacture the product or deliver the service (in case of service unit).

### **3. DEVELOPMENTS IN OTHER COUNTRIES**

Normally, the underdeveloped nations follow the fashion trends of the develop countries. There are numerous examples available wherein the developing country like India has adopted various products which were already in market in the foreign developed countries. For example, washing machines, vacuum cleaners, microwave ovens, cell phones, etc. The above-mentioned products were not available before two decades. They are now available and also manufactured in India. Thus, the promoter can discover good business idea or opportunity keeping in touch with the developments made in the advanced countries. At times, the promoter also pays a visit to the developed nation in search of new ideas.

### **4. TRADE FAIRS & EXHIBITIONS**

National and International trade fairs and exhibitions are a very good source to generate an investment proposal or a business idea. In these fairs and exhibitions, the producers and dealers of concerned industries exhibit their

product for display and/or sale. A mere visit to these fairs provides valuable information about new products (consumer or capital), services or technology.

### 5. OTHER

Above mentioned list of the sources is not an exhaustive list. Apart from the sources discussed above, there are number of other sources available such as government organizations, magazines, bulletins of research institute, study of project profiles and many more, which would help an entrepreneur or promoter to generate and develop a workable business idea.

Apart from the manufacturing or producing something, one can also think of entering into **ancillarization programme**. This normally happens due to some technical, cost or financial barrier, one cannot enter into producing something, but then, one can go in for ancillary units to supply components or any other of that kind in the same industry. They can either supply some specific input/ component or they might also receive some work in form of outsourcing from the large enterprises.

A distinctive feature of this venture is that it has a derived demand. If the demand for the main product goes down or reduces, the demand for the firm's product/ service engaged in providing these ancillary services also reduces. Thus, it would be in the interest of the ancillary units to select an activity with wider market horizon so as to sustain them in the times of lack of orders from the parent units.

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## 6.3 TECHNICAL ANALYSIS

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Once the product is selected, the promoter will now pay attention to some of the technical aspects of the project such as plant location/ site, building, machinery, production process, raw materials, technology, type and supply of labor and other inputs which are necessarily contributes to the success of the identified product. These are discussed below:

### 1. PROCESS KNOWHOW

One of the key problems encountered by the manager is to select the best and accurate production process in project management. Selection of process involves decision making about technology, machines and equipment. The main aim behind doing this exercise is to optimize the output/production for a given process. Generally, there is a tendency to select the process which is already well established and tried out by several organizations. Presently, the entrepreneurs import the technology from the developed countries. While importing, the promoter must take due care in the selection of the supplier of the technology after ensuring about his integrity and intentions. The supplier should be an established manufacturer and the promoter should ensure that the process is successfully tried out in some other countries and due modifications should be

done to suit the conditions of the promoter's country. If the process is already imported and adopted by some other producers then careful enquires should be made before finalizing the arrangement. Thus, selection of the process is a vital decision which has to be made by the manager keeping in mind the overall goal and requirement of the project that he intent to carry out successfully.

## **2. PLANT LOCATION**

Selection of the site plays a critical role in the formulation of project. The promoter has to decide regarding the location of the plant where the factory or workshop should be positioned keeping in view the input sources and output market. While selecting the site, many locations may be available before the promoter, but he has to select only one site which naturally should be economical so that he can maximize his profits. But selection of an economical location is highly complex task which needs appropriate considerations of different a technical, economical and institutional factor which has a great and simultaneous bearing on the decisions about wealth of factory.

### **1. TECHNICAL FACTORS:-**

- Land availability
- Geographic position of factory site
- Climatic conditions
- Transportation services
- Power, manpower, disposal facilities etc.

### **2. ECONOMICAL FACTORS:-**

- Cost of land
- Costs of infrastructure facilities
- Subsidies
- Cost of living in that region
- Medical facilities
- Communication facilities and so on

## **3. LAND AND BUILDINGS**

A plant location is immediately followed by an important concept called plant layout. A plant layout is an overall arrangement of the production processes, store-rooms, placement of heavy equipment, tool room, material handling equipment and all other accessories required for facilitating the production in a factory. Now to carry out all this, sufficient amount of land is to be negotiated along with its quality and load bearing capacity. This is important because, on the land which is chosen, various heavy machineries will be installed and a factory building will be constructed so as to facilitate the production. Again, while constructing building, various requirement needs to be addressed as to whether the promoter requires a first class building or factory

## PROJECT MANAGEMENT

sheds will do the needful. Further, the building should be adequately ventilated and should be well equipped with various facilities, viz., washrooms, pantry (food-store), sitting arrangements/benches, rest rooms, etc.

### 4. PLANT AND MACHINERY

Once the site is decided and land is purchased with required construction of building, the next in the line is identification of requisite plant and machinery. The promoter must ensure that the machinery which he is planning to install is capable of producing the required volume of goods with prescribed quality standards. Again, the cost of purchasing and installing the machinery also needs to be given a serious thought. The promoter of the company must get it ensured from the supplier of the machinery regarding the volume of production at specific quality standards.

### 5. SERVICES

After having selected plant and machinery and installed in the layout, a requirement of connected services of power, water, steam and gas must be prepared for each machine in order to run them smoothly without much distortion.

### 6. PROJECT SCHEDULE

A project schedule is prepared keeping in mind the following details:

- Registration period
- Financial arrangements
- Construction period of building, shed or workshop.
- Purchase of machines and other equipment inclusive of delivery period of the same.
- Installation machines & accessories
- Electrification or electric connection and so on...

### 7. AVAILABILITY OF INPUTS

A very crucial factor affecting the selection of product or investment proposal and location as well. The prime duty of promoter is to ensure that the required inputs are available for the product that he intends to manufacture and the location in which they are easily available. Of these inputs, a few vital ones are discussed below:

#### a. Raw materials

Raw material is the core input needed for production any commodity. The entrepreneur must find out the availability of and sources of supply of the core raw material of the desired quality before project formulation takes any meaningful shape. For this, the promoter requires the exact data regarding how

much of the material would be needed to produce certain amount of output.

*For instance, to produce a single flooring tile of 2X2 foot, how much of clay or other material would be required keeping in mind the average wastage per unit produced.*

Once this is decided, the quantity of different types of materials required for production for specific period with specific capacity could be worked out. After having decided the raw material requirements, their sources of supply have to be located so as to bring the material to the desired location for production.

**b. Labor**

Right after the raw material needs, the next in pipeline is the labor supply. Both, quantity and quality of labors needs to be addressed. It is said that the major cause of industrial sickness is the managerial and operational deficiency due to lack of efficient and adequate manpower infusion in the organization. It is, therefore, suggested that the promoters must devote reasonable amount time and attention in recruiting right personnel for the job requirements. The promoter must determine the number of workers required, whether skilled, semi-skilled or unskilled, for every job created and the likely sources from which they can be recruited.

**c. Water**

Water is majorly required for two purposes: Firstly, for industrial purpose, if water being one of the inputs used to produce the product (e.g., sarees). Secondly, for drinking and sanitation purpose. Thus, if the water requirement is high in the product chosen by the promoter, then proper and timely arrangement for availability of water has to be made so as to smoothen the operations of the firm.

**d. Power**

The chief requirement of power, both for industrial and administrative purposes, has to be determined and the arrangements for the same have to be made. The Factories Act lays down various norms for proper lighting and ventilation in the factory, which the promoter has to take into consideration. The load capacity and factory requirements have to be worked out and accordingly the arrangements have to be made. Again, along with the power arrangements, the fuel, as an alternative has to be stationed in case of failure of power.

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**6.4 MARKET ANALYSIS**

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It is said that marketing starts before production and ends after customer satisfaction. Thus, the very first task before the promoter is to estimate the demand for the product that he is intending to produce. But before starting any

## PROJECT MANAGEMENT

new project, it would be advisable to conduct a market survey in order to assess the potentiality of the market. The survey which is undertaken not only helps estimate the demand for the product, but also reveals several other purposes such as testing buying behavior, impact of age, gender, social status, income, etc. concerning purchase decisions and it also explores the response pattern of consumers towards price and promotion. In addition, it also tries to determine the contribution of other relevant factors such as habits, customs, and preferences to decision making.

To estimate demand pattern for a particular product or service, it is necessary for the promoter to conduct proper market research and evaluate the performance of competitors over a period of time. The promoter should know his target market or the segment he intends to serve with clear idea about the needs and wants of the targeted consumers so as to supply an effective bundle of goods for satisfaction. Again, the promoter should have to study the following so as to arrive at certain concrete decisions:

- Present demand
- Present sources of supply
- Pricing level/scenario along with purchasing power
- Exports potential
- Demand forecasting for different periods viz., 5, 10, 15 or 20 years down the line

Now, in order to determine a strategic position in the market and serve the market in a better way, the promoters should take up following exercise to find out the right answers of the questions so as to collect data and based on that, arrive at some meaningful conclusions:

1. Who exactly are the consumers of the product that the promoter intends to produce?
2. Where are they located? Who are the competitors and what is their respective share in the market?
3. What is the quality of the product supplied by the existing competitors?
4. What the consumers expect from the present firms in terms of quality? Is there any gap between the quality provided and quality desired by the consumers?
5. What is the pricing level and what is the price strategy followed in the industry?
6. What price and strategy does the promoter exercise?

7. What are the existing channels of distribution and which of these channels will be best suited to the promoter?
8. What is the current volume of demand and supply of the product?
9. What is the existing production capacity of the product in the industry? Is it enough to satisfy the demand?
10. Which all tools should the promoter adapt to promote the product in the market?

Once the promoter answers all these above-mentioned questions, he would be in a position to decide whether the product selected by him is worth producing or not.

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## **6.5 FINANCIAL ANALYSIS**

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Ascertaining the financial feasibility of the project is must before the project put into action. The investing institutions/lending firms always critically analyze the data obtained from the promoter to make sure that the proposed project meets up the following criteria:

- The estimated cost projected by the promoter is reasonable and complete in all aspects and has a fair prospect/possibility of materializing.
- The financial arrangements made are wide-ranging and broad and ensures ready cash availability as and when required.
- The earning and costs projection are realistic in nature.
- The promoter's ability to repay the obligations is judged well from the project operations.

The basic data required for financial analysis can be broadly classified into following heads:

- I. Cost of the project
- II. Cost of production and profitability
- III. Projected cash flows
- IV. Projected balance sheets

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## **6.6 APPRAISAL CRITERIA**

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Project appraisal may be defined as a detailed assessment of the project to verify the technical feasibility and financial viability of the project and managerial proficiency required for its successful implementation and operation. The entrepreneur does the project evaluation to determine whether the project is expected to generate the desired return or not. In case of several



## PROJECT MANAGEMENT

projects competing with each other, the promoter will select those which will generate highest return with low risk keeping in mind the amount of investment required to finance the project.

The promoter goes through this procedure due the scarce nature of capital. The capital, always, has to be put to the optimum use. Thus, a rational allocation of resources is inevitable. The major problem occurs before the promoter when there are several competing projects each providing return higher than the minimum required rate of return. Thus, appraisal becomes the corner stone of project management. There are various indices and criteria to judge the commercial profitability and financial feasibility of the project which are discussed below:

### INDICES & CRITERIA

#### 1. Capital Budgeting Techniques

The capital budgeting techniques are by far the most popular methods used to appraise the commercial profitability of the project. The methods proposed under capital budgeting are objective, quantified and are based on economic costs and benefits. There are several methods for evaluating and ranking the capital investment proposals. Every method helps the promoter to know how much the project earns, i.e., the amount of return it generates against the cost/investment it claims. In other words, the basic approach is to compare the investment in the project with the benefits (return) derived from it.

The promoter, in order to ascertain the feasibility of a particular proposal, has to employ one of these following mentioned techniques to arrive at a particular decision:

➤ **Average rate of return**

Average rate of return, also known as accounting rate of return, is one of the traditional methods used to evaluate the proposed capital expenditure. It is largely based upon the accounting data provided by the financial statements rather than the cash flows. Under this method, the capital investment proposals are judged on the basis of their **relative profitability**. In order to arrive at an average yield of the project over its entire life, following calculations needs to be exercised:

<b>ARR</b>	Average annual profits after taxes	X 100
	Average investment over the life of the project	

➤ **PAYBACK PERIOD**

Payback, also known as pay out or pay off, refers to the period in which the project will cover its initial investment. In other words, it refers to the time frame in which the project will produce necessary cash inflows to cover up the initial cost incurred. There are basically two ways of calculating payback period:

i. When cash flows are constant/uniform

<b>Payback</b>	Initial Cost/Investment	X 100
	Annual Cash inflow (Constant cash flow)	

ii. When cash flows are not uniform.

Under this situation, when cash flows are not uniform, the payback is calculated by the process of cumulating cash flows till the time when the cumulative cash flows become equal to the original investment outlay/initial investment.

➤ **NET PRESENT VALUE**

One of the best modern techniques invented to appraise the viability of the project. The above two methods suffer from serious limitation of time value of money which is covered by all the modern methods and thus by this method as well. In this method, the values of cash inflows and out flows are worked out first. Now, the values of cash inflows which the firm forecasted will be received in future. In order to compare the cash outflow with inflow, these future values need to be brought down to present time. Thus, through certain **rate**, agreed by the management, these values will be converted to present values or are brought down to current value platform so as to make them comparable.

For instance, if the project is going to generate Rs. 10,000 after a year, then what is the value of Rs. 10,000 today? This is done for all the entire life of the project. Once this is done, the summation of the present values of cash inflow is compared with the current cash outflow which is displayed below:

<b>NVP</b>	Present Values of Cash Inflows – Present values of Cash Outflow
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If the amount after deduction is **POSITIVE**, the project can be accepted while it will be rejected if the value is **NEGATIVE**.

➤ **INTERNAL RATE OF RETURN**

It also popularly referred to as yield on investment, marginal productivity of

## PROJECT MANAGEMENT

capital, time-adjusted rate of return, marginal efficiency of capital and so on. Like NPV, this method is also time adjusted method for appraising capital investment. The internal rate of return is usually the rate of return that a project earns. In this method, the discount rate is not known. On the basis of cash inflows and cash outflows the rate is known. This rate, which the method reveals is called internal rate of return, which is the rate which **equates** the cash inflows and out flows. In other words, it is the rate at which **NPV is Zero (0)**.

### **2. Break Even Point**

One of the finest and widely used tools to assess the profitability of an enterprise is Break Even Point Analysis. BEP is an important planning & controlling device used to assess the effectiveness of an enterprise. It portrays the relationship between costs and revenues at a particular level of production. An entrepreneur should be able to or should be aware of the total cost of a product; on that basis he should be able to fix the selling price, which will yield him a desired level of profit, if the forecasted sales actually take place. Thus, he can plan the volume of sales in advance in order to achieve certain amount of profit.

Exactly at this point, he can also plan or can explore that level of production/sales which will help him cover his total cost and when the unit will start earning profit. This point/level of sales, when discovered, where total cost and total revenues becomes equal and from now onwards a unit starts earning profits, is popularly known as '**Break Even Point**'.

The Break Even Point (B.E.P.) specifies a level of sales which evenly breaks total costs and total revenues. It is a point where the sales revenues cover the total fixed costs and the unit starts earning profits. Here, at this point, the net income of a concern is ZERO. It is popularly known as, "NO PROFIT NO LOSS" point.

From the investor's viewpoint, an entrepreneur should provide accurate forecast and should try to achieve the breakeven point as early as possible. The project which achieves its breakeven point earlier is considered as a viable project by bankers and other investors, who intend to invest in the projects of entrepreneurs.

### **3. Social (National) Profitability/ Social Cost-Benefit Analysis**

Social cost is a sacrifice that a society makes for business to run its

operations. A business firm is responsible for various societal costs such as air and water pollution, exhaustion/depletion of animal resource, soil erosion, deforestation, production of hazardous/dangerous products, creation of monopoly, etc. Social benefit, on the other hand, is the compensation made by the firm to the society for incurring social costs. It could in form of increase in income and standard of living, increasing employment opportunities, developing a particular backward region, etc.

Social cost–benefit analysis is, thus, an orderly/systematic assessment of a firm’s social performance against the economic performance. It is basically concerned with the social quality improvement.

An entrepreneur should keep in mind the social impact of the decision that he intends to take. The organization can take socially viable decisions in case of selecting certain projects by analyzing social costs and benefits associated with the project. In other words, the promoter, while deciding a particular plan of action for its investment, should take into consideration the damages that the project will do to the society and in turn what it will contribute/ compensate in return which will at least restore the balance. The promoter should analyze the project from the societal viewpoint and then should arrive at a decision as to whether to engage himself in this proposed activity or should he reject the same due to some societal losses it will cause.

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## **6.7 PROFITABILITY ANALYSIS**

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Profitability is an indicator which specifies the performance of a business. Lesser profit indicates poor performance/sales and hence the firm is inefficient. There are various reasons for poor profits such as lower demand and thus lower sales, increasing overhead expenses, over burden of liabilities, wastage of resources etc.

The analysis becomes important as everyone would like to know whether their efforts are fruitful or not and whether they have brought gains to the company or not. Thus, owners are interested to know the profit level as it shows the return which they can get on their investments. The purpose of studying profitability ratios is to assess the adequacy of profits earned by the firm and also to find out whether the profits are rising or declining. The profitability of the company helps in setting various policies and is largely used in major decision-making.

The profitability of the firm can be judged through various profitability ratios as discussed below:

- Gross profit ratio
- Net profit ratio

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- Return on investment
- Cash profit ratio
- Return on Shareholders' Funds

### **Gross Profit Ratio:**

This ratio basically measures the profit margin on the total net sales made by the firm. It signifies the excess of sales revenue over their cost, before considering administration, selling & distribution and financial charges. It can also be used as a comparative analytical tool by comparing it with previous year's ratios and thereby establishing a trend.

#### **Formula:**

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Total Net Sales}} \times 100$$

### **Net Profit Ratio:**

This ratio indicates the NET margin earned by the company on the sales. It is generated by deducting administration and selling and distribution expenses from gross profit. It helps in determining the efficiency of the company's operations. An increase in ratio indicates an improvement in the efficiency and the reverse is also true.

#### **Formula:**

$$\text{Net Profit Ratio} = \frac{\text{Net Profit After Tax}}{\text{Total Net Sales}} \times 100$$

### **Return on Investment (ROI):**

It is known by various names such as Return on Capital Employed, Overall Profitability Ratio, Yield on Capital, etc. It indicates the percentage of return that a company earns over its total investment. It is a measure of a firm's profit over a single rupee invested. It basically expresses overall efficiency of the business collectively and thus, one of the finest ratios invented to judge the working of an organization.

#### **Formula:**

$$\text{Return on Investment} = \frac{\text{EBIT}}{\text{Total Capital Employed}} \times 100$$

### **Cash Profit Ratio**

This ratio computes the cash generation in the firm due to the result of the

operation expressed in the terms of sales. It is an important ratio in case where there are large fluctuations in the net profit over the years due to differences in the depreciation and other non-cash items.

**Formula:**

$$\text{Cash Profit} = \frac{\text{Cash Profit (NPAT + Depreciation)}}{\text{Net Sales}} \times 100$$

### **Return on Shareholders' Funds**

This ratio is designed to measure to know the contribution of profit to the company's shareholders. Here Net Profit After Tax is used as they would receive an amount after tax liability has been cleared by the company. Shareholders' funds include – share capital and reserves & surplus

**Formula:**

$$\text{Return on shareholders funds} = \frac{\text{NPAT}}{\text{Shareholders fund}} \times 100$$

### ❖ **CHECK YOUR PROGRESS**

#### • **Multiple Choice Questions**

1. **Which of the following is/are pre-requisite for project planning?**
  - a. Study of resources required
  - b. Capability of the promoter
  - c. Market feasibility
  - d. All of the above
2. **Which of the following is/are source/s to identify good business idea?**
  - a. Observation
  - b. Developments in other nations
  - c. Trade fair and exhibitions
  - d. All of the above
3. **A promoter willing to take up ancillary project will have \_\_\_\_\_**
  - a. Independent demand
  - b. Derived demand
  - c. Negative demand
  - d. Both (a) & (c)
4. **Breakeven analysis is a...**
  - a. Planning tool
  - b. Organizing technique

## PROJECT MANAGEMENT

- c. Controlling technique
  - d. Both (a) & (c)
5. \_\_\_\_\_ is rate at which NPV is Nil.
- a. ARR
  - b. IRR
  - c. Payback
  - d. Accounting Rate of Return
6. Which of the following is considered at the time of product selection?
- a. Technology
  - b. Capacity of promoter
  - c. Market potential
  - d. All of the above
7. Under average rate of return, the capital investment proposal is judged on the basis of \_\_\_\_\_ profitability.
- a. Relative
  - b. Absolute
  - c. Commercial
  - d. All of the above
8. A/An \_\_\_\_\_ is an instrument designed by the banks wherein, the customer is allowed to withdraw more than he possesses in his account.
- a. Cash credit
  - b. Leasing
  - c. Consumer credit
  - d. Overdraft
9. Which of the following is true about the Process Know How?
- a. It involves decision making about technology
  - b. The main aim of process know how is to generate electricity
  - c. Generally, the technology used is indigenous
  - d. All of the above
10. Which of the following is not looked by the promoter in case of deciding a location of the plant?
- a. Land
  - b. Transportation
  - c. Life-style of population of the country
  - d. Communication facilities

11. **A \_\_\_ is an overall arrangement of the production processes, store-rooms, placement of heavy equipment, tool room, material handling equipment and all other accessories required for facilitating the production in a factory.**
  - a. Plant location
  - b. Plant layout
  - c. Production process
  - d. Production building
  
12. **Which of the following is not considered while analyzing market?**
  - a. Target consumers
  - b. Competitors
  - c. Product Quality
  - d. Factor prices
  
13. **The project proposal is generally prepared by whom?**
  - a. Promoter
  - b. Banker
  - c. Financial institution
  - d. All of the above
  
14. **Project appraisal is required to be done at both the level, promoter as well as the financial institution. Do you agree?**
  - a. Yes
  - b. No
  - c. Can't say
  - d. Depends on the country's economic system
  
15. **Which of the following factor/factors is / are taken into consideration while deciding working capital requirements?**
  - a. Nature of business
  - b. Type of production policy
  - c. Credit policy
  - d. All of the above
  
16. **Which of the following is not a borrowed form of capital?**
  - a. Debentures
  - b. Public deposits
  - c. Commercial papers
  - d. Not on the list
  
17. **\_\_\_ Debentures does not carry any charge.**
  - a. Mortgaged
  - b. Redeemable
  - c. Naked
  - d. Both (a) & (b)



## PROJECT MANAGEMENT

### 18. Which of the following is an example of social cost?

- a. Air & water pollution
- b. Deforestation
- c. Exhaustion of natural resources
- d. All of the above

### MCQ Answer

1	2	3	4	5	6	7	8	9
d	d	b	d	b	d	a	d	a
10	11	12	13	14	15	16	17	18
c	b	d	a	a	d	d	c	d

### • Descriptive Questions

1. Discuss in brief the basic criteria of financial feasibility of a project.
2. Why do financial institutions insist on project preparation by the borrowers?
3. Why is identification of the investment opportunity significant? How is it attempted?
4. Discuss in detail the technical feasibility that a promoter has to consider for the project he intends to implement.
5. "Project Appraisal is a completed and comprehensive task" – Elucidate.
6. Explain various sources for developing or identifying the ideas for investment opportunities.
7. "Market analysis starts before actual production and ends after consumers satisfaction" – discuss.
8. What should be done by the promoters in order to determine a strategic position in the market?
9. Discuss Shares as one of the important sources of finance available.
10. Discuss the sources which help in generating internal financing.
11. Discuss various criteria available before the promoter for appraising a project.
12. How does a promoter judge the profitability of an intended project?

### • Short notes

- Developments in other nations are one of the better sources available to generate a business idea.
- 'Ancillary Industry' as one of the investment opportunity for a promoter.

- Selection of a plant location.
- Availability of inputs – plays a crucial role in technical feasibility.
- Cost of the project
- Commercial banks – a key source of finance.
- Break Even Point – a key appraising criteria
- Profitability analysis

**7.1 INTRODUCTION****7.2 CONCEPT/MEANING OF WOMEN ENTREPRENEUR****7.3 NEED/ CAUSES FOR WOMEN ENTREPRENEURSHIP****7.4 STATUS OF WOMEN ENTREPRENEURS IN INDIA****7.5 SWOT ANALYSIS****❖ CHECK YOUR PROGRESS**

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**7.1 INTRODUCTION**

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“Modern inventions have banished the spinning wheels and the same law of progress makes women of today a different woman from her grandmother.”

The role of women is constantly questioned and for centuries women have struggled to find their place in the world that is predominantly male oriented. The contribution of women in society has been greatly overseen in the last few decades but now is coming to a more perspective to people. In the early days and today even in some societies women are seen as wives who were intended to cook, clean and take care of the kids. In many societies, marriage is seen as a career for women. Even professionally, women have confined their activities to such areas as teaching, office work, and medicine. Still less women can be found in professions such as engineering and business. Much of our society is still of traditional view that females essentially have to be housewives. Our age-old socio-cultural traditions and taboos arresting the women within the four walls of their houses also make their conditions for their emergence and make their confidence disadvantageous. These factors jointly serve as non-conducive conditions for emergence and development of women entrepreneurship in country.

But the scenario is changing gradually. There is a common thread that unites all women. Today's women are strong, intelligent, individualistic and most importantly they are comfortable with themselves as women. Clearly women have made tremendous strides towards concentrating on their careers. But the irony is that the worth of woman is casually measured in terms of physical appearance and not their intellectual contribution or talents. The above mentioned needs no evidence as presidents, speaker of the Lok Sabha, leader of ruling party are all females, handling important duties that beacon the whole nation towards progress.

India has certainly emerged as the testing ground for budding Indian women entrepreneurs. Indian women have demonstrated their multitasking ability. Women entrepreneurs can certainly initiate, organize, plan and operate their small and medium venture efficiently.

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## **7.2 CONCEPT/MEANING OF WOMEN ENTREPRENEUR**

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A woman entrepreneur includes a woman or a group of women who initiate, organize and operate a business enterprise. Here, she develops the ability to manufacture satisfactory product or service by bearing calculative risk and has necessary skills to innovate. She has or develops a strong drive that keeps her motivated to work hard for achieving the desired success. She actually becomes the identifier or reflector of the dormant requirements of the target market. She becomes ready to take-up any challenge of combining various inputs to produce maximum output that brings profit. Women entrepreneurs in India have been on the business front for quite some time now and have achieved a good success. Of course, the number with reference to male counterpart is still low and they are mostly engaged in small ventures.

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## **7.3 NEED / CAUSES FOR WOMEN ENTREPRENEURSHIP**

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There are many reasons why more and more women are either taking up a job or starting their venture at a micro level. The reasons which led female to take up entrepreneurial ventures could either be chance entrepreneurship, forced entrepreneurship or created entrepreneurship. In case of chance entrepreneurship, woman takes up entrepreneurship as a career without any prior preparation, goals or plans. It could just be as simple a solution to kill the spare time or decides to go in entrepreneurial venture by getting inspired by few successful women in the world. And in doing so, the venture might prove to be successful. In case of forced entrepreneurship, the name itself suggests that women are compelled by their circumstances, may be because of death of the earning member of the family. The responsibility falls on the shoulders of the woman to take up entrepreneurship. This, sometimes, becomes the only option when the woman is not educated enough to get a job in a reputed organization. Women may be forced to continue and learn the existing business which her male family member has left to her in case of death or any major illness. And finally, educated, motivated and well-placed women back themselves to become entrepreneurs from the very beginning. They set the goal to become business women and has high requirement for achievement in the environment by creating and running an innovative enterprise successfully.

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## **7.4 STATUS OF WOMEN ENTREPRENEURS IN INDIA**

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The number of women entrepreneurs is few and far below in India when compared to other countries. But there is a growing awareness of the importance of women entrepreneur in nation's development. This awareness has spread because of spread of education in nation. There is evidence of direct relationship between the growth of women's education and their numbers in functional areas. In fact, women gradually agree to accept challenges and assume responsibilities in various fields – economic, social and political more particularly in entrepreneurial stance. Here, we can quote a number of examples such as:

## WOMEN ENTREPRENEURSHIP

- Mrs. Kiran Majumdar Shaw (Brocon ltd)
- Mrs. Motwani (Kinetic Motors)
- Ms. Ekta Kapoor (Balaji Telefilms) and many more

Who have excelled in their own fields of activities? After reading about lives and work style, one can say that there are various prospects and challenges for women entrepreneurs on one side whereas there are barriers for women entrepreneurs on the other. For easy understanding, SWOT analysis may be looked into as follows:

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### 7.5 SWOT ANALYSIS

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#### **Strengths:**

#### **1. Determined**

Determination is amongst the most important traits women of today possess. It is their ability to strive for what they desire, no matter how difficult it may be to achieve. Women have consistently proved themselves to be hardworking, committed and determined. Often, it happens that there arises a serious conflict about whose career is more important – the man's or the woman's. But the strong determination and self-confidence is the only answer to such a question.

#### **2. Better Inter-personal Skills**

Inter-personal skills often are referred to as communication skills. It involves use of skills such as active listening, tone of voice, delegation and leadership. It is how people relate to one another. This goes very true with women wherein their basic nature is soft and polite and gives due respect to every single person working with her irrespective of their class, position etc. Also they have proved themselves to be more influential which creates better impact on opposite sex, which majority population working in India. Although not inherent in all women, it's fairly common for females to be admired for their interpersonal skills.

#### **3. Empathy**

Women have a well-developed ability to read the emotions of people. They have a heightened awareness to subtleties and nuances of non-verbal behaviour. By empathetic reciprocation, they can tap into the sentiments of others. This allows them to be ahead of the curve in understanding when people are happy or discontented and why. Here they have a competitive edge. Research tells us that 50% to 80% of buying decisions are made or influenced by women. They fairly know what will be most appealing to female buyers.

#### **4. Emotional Intelligence**

Today's women are quite capable of perceiving, assessing and managing the sentiments of oneself and of the others. An emotional quotient is how one measures emotional intelligence. Women have now learnt to balance sentiments and business because of the furious pace of change and difficulties in business today.

## 5. Women are relationship builders

Women are cultured to put relationships first. They become masterful relationshipbuilders as a result. In companies where people are working on matrix environment, strong working relationship are critical to success. Women are more likely to get subordinates to transform their own self-interests into the broader goal and such a group tries to achieve a greater sense of teamwork and commitment in achieving the outcome.

## 6. Passionate and committed

Passion is not only a physical but emotional energy that sustains our goals. The world needs dreamers. The world needs doers. But most importantly, the world needs the dreamers who can do it. And that takes passion. Women today dream big and fulfill them. The same can be inferred from the results of various examinations that we come across in newspapers. Given the opportunity, satisfactory results by attained women are evidenced in every instance. Starting with education, they have not only excelled at it but also set the trailblazing benchmarks.

### Weaknesses:

#### 1. Low risk bearing abilities/ capacities

Women in most communities in India are raised in a traditional manner in a closed and protected environment. In certain communities, they are comparatively less educated. Lack of marketing knowledge adds to their economic dependencies in some cases. These factors reduce their ability to bear risk involved in running an enterprise. Risk bearing is an essential requisite of a successful entrepreneur. Therefore, women choose still field such as nursing, teaching, administrative jobs, etc. which generally does not involve any risk.

#### 2. Weaker networking skills

Women may be adept at socializing anywhere including their workplace, but when it comes to networking skills, it is observed that most of them find it hard to exercise them. This is because women are typically in lower-status positions; they do not receive such professional assistance that will help them with future career goals. Mostly, in every organization, women are located in lower-status positions. Men occupy the higher-ranking positions. Since men have higher status positions, they are hoarding and monopolizing critical resources.

#### 3. Limited mobility

Unlike men, women mobility in India is highly limited due to various reasons. A single woman asking for room is still looked on with unease. It is also very difficult for women to travel around most of the times for the business ventures. Cumbersome exercises involved in starting an enterprise coupled with the officials humiliating attitude towards women compel them to give up the idea

## WOMEN ENTREPRENEURSHIP

of starting an enterprise.

### 4. **Conflicting interests**

In India, women have to play multiple roles. It is mainly a woman's duty to look after the children and other members of family. Man plays a secondary role only. In case of married women, she has to make a proper priority distribution between her business and family. Her total involvement in family leaves little or no energy and time to devote for business. Support and approval of husbands seem to be unnecessarily blocking the progress of married women.

### 5. **Low physical capacity**

Often women experience low energy levels when compared to males. The very first reason is they are by nature physically inferior as compared to a man. Again family responsibility that we have discussed earlier and females also experience high hormonal changes throughout her life. These all exhaust her eventually.

### **Opportunities:**

If we see the present business and entrepreneurship trend, we can notice that the percentage/ ratio of women entrepreneurship is growing tremendously. This is a good indicator if the said conditions prevail through a long period, the overall contribution of women entrepreneurs will be significant in Indian economy. Certain opportunities for women entrepreneurs may be highlighted as follows:

#### 1. **Government support**

The Government of India has encouraged women entrepreneurs in the past years. The 6th 5 year plan, for example, proposed for promoting female employment in women owned industries. The Government moved a step forward in 7th 5 year plan by including special chapter on Integration of women development. The industrial policy of 1991 had stressed the need for conducting special EDP for women to encourage them. There are several institutional arrangements both at the central and state levels such as nationalized banks, SFC, SIC, DIC and voluntary agencies, namely, FICCIL Ladies Organization (FLO), National Alliance of young entrepreneurship (NAYE) which have been engaged in protecting and developing women entrepreneurship in the country.

#### 2. **Impact of Media**

Media plays an important role in encouraging women to build their careers. Media exposes them to various ideas and opportunities for their growth. They also display the live examples to support their claims. Through this, they can bring a revolution in the life of women.

#### 3. **Impact of other cultures**

Today, India's culture has started moving. There was a period where it was

static, but now it has changed its gears and is advancing. Now people are no more orthodox and tradition bound. They have left women free to allow them to explore the world. Due to this leniency, women now have got opportunity to claim their talents and put them in practice.

#### **4. Social and economic development of nation**

The world has noticed substantial growth in the last few decades. Every nation is developing at a good pace. Among them, India has been a prominent one. In every sphere, India is growing. The society is advancing, life style is changing, standard of living has increased and also the economic conditions. Owing to this, many new businesses are setting up to meet the growing needs of people with purchasing power. As women are determined and excelling in education, they are motivated to build their careers. They are now successfully seeking and creating jobs

##### **Threats:**

Society has raised certain limits for women. When these extraordinary women try to break these limits and boundaries they are exposed to certain threats.

##### **1. Sexual harassment**

Sexual harassment is an unwelcome or inappropriate promise of rewards in exchange for sexual favors. This has been the biggest barrier obstructing the growth of women. Owing to this sole reason, substantial number of women hesitate to enter into any profession/ occupation. In case of entrepreneurship, women might get asked about the sexual favors from the ones who are in position to demand to get the work done.

##### **2. Societal discrimination**

The constitution of India speaks of equality between sexes. But in practice, women are looked upon as weaker section of the society. Women's role, their abilities, capacities etc. are often questioned. For example, banks consider women to be less credit worthy and are not provided with finance generally. Hence, in male dominated Indian society, women are not given equal status. Hence, in some cases women face discrimination and prejudice. Yet women all over the world continue to work hard and make a difference –to alter their lives and lives of others.

##### **3. Competition**

Many women enterprises have imperfect organization setup. They have to face severe competition from organized industries and male entrepreneurs. For example, women co-operatives engaged in production of Namkeen have got heavy competitions from big brands like Frito-Lays

##### **4. Procuring Raw Materials**

Women entrepreneurs find it difficult to procure raw materials and other



## WOMEN ENTREPRENEURSHIP

necessary inputs. The failure of women run small-scale industries for basket making due to lack of inadequate availability of forest based raw materials in 1971 is an evident example.

### 5. Expectation from society

When women step into the role of leadership, they find themselves in a double-bind. They must find ways to project authority but can't be autocratic because people find these behaviours in women jarring. If women choose to be assertive and forceful, she is giving up on being a 'good woman'. If she chooses to be compassionate, she doesn't have the right stuff for a powerful job.

### Conclusion

If the picture of women entrepreneurship in India is not all too bright, it is equally nor all too dismal. . In any way, joint efforts are necessary for the development. Future will be bright if government institutes and women join in the efforts of cultivating women entrepreneurship. Struggle is inevitable rights. Though the path is long and toilsome , it is pro-development and there can be no doubt about its future.

### ❖ CHECK YOUR PROGRESS

#### • Questions:

- a. "Modern inventions have banished the spinning wheels and the same law of progress makes women of today a different woman from her grandmother." – Elucidate
- b. India has certainly emerged as the testing ground for budding Indian Women Entrepreneurs. – Discuss
- c. Discuss concept of women entrepreneurship. Also explain the growth of women entrepreneurship in India
- d. Discuss strengths and weaknesses of women entrepreneurs with special context to India.
- e. Perform a SWOT analysis of women entrepreneurship.

#### • Multiple choice questions (MCQs)

1. **The role of women in India is constantly questioned and for centuries women have struggled to find their place in a world that is predominantly male oriented. Do you agree?**
  - a. Yes
  - b. No
  - c. Can't Say
  - d. Subjective matter
2. **A woman entrepreneur includes...**
  - a. a woman who initiate enterprise

- b. Organize and operate a business enterprise.
- c. Both (a) and (b)
- d. None of the above

**3. The reasons which led female to take up entrepreneurial ventures could either be...**

- a. chance entrepreneurship,
- b. forced entrepreneurship
- c. created entrepreneurship
- d. all of the above

**4. Find the odd one out.**

- a. Good inter-personal skills
- b. Empathy
- c. Emotional intelligence
- d. Mobility

**5. Find the odd one out.**

- a. Relationship builders
- b. Low risk bearing capacity
- c. Conflicting interest
- d. Weaker networking skills

**MCQ Answer :-**

1	2	3	4	5
a	c	d	d	a

**8.1 INTRODUCTION****8.2 CLASSIFICATION OF SSI****8.3 CHARACTERISTICS OF SSI****8.4 OBJECTIVES OF SSI****8.5 ROLE OF SSI IN ECONOMIC DEVELOPMENT IN INDIA****❖ CHECK YOUR PROGRESS**

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**8.1 INTRODUCTION**

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In 1955 Small Scale Industries Board defined small scale industry as “A unit employing less than 50 persons, if using power and less than 100 persons without the using power and having no capital assets of more than rupees five lakhs”.

In the year 2000, the Union Government has decreased the investment limit in plant and machinery for small scale units from Rs. 3 crores to Rs. 1 crore. But, the investment ceilings for small industries remain unchanged to Rs. 25 lakhs.

Given the minimal scale of production, small scale businesses are easy to start and operate. They have been established to cater to the basic needs of the people in their area. An example of a small-scale industry is a laundry or small kiosk designed to meet the individual needs of the people in the area in which it is located. These businesses require less start-up and operating capital. They need cheap labor that is readily available and their target market is the host community. Such companies also experience a small annual turnover and, as a result, pay less taxes. Large or small-scale classification of industry is based on production rate and number of employees. An industry with low productivity and low staff is a small-scale industry. Most governments implement policies that strengthen the small-scale industry sector due to the role of industries in economic development. Industries help alleviate poverty through employment and provision of other products.

The definition of small-scale sector is broadened from small-scale industries to small scale enterprises that include all business enterprises in the services sector which provide service to industrial sector. In addition to small scale industries taking into account all these factors, at present, the Reserve Bank of India uses a broad definition of small-scale industries, which constitute small scale industrial enterprises engaged in the production, processing and maintenance of goods where investment in plant and machinery not more than Rs. 5 crores. These would include units engaged in mining or quarrying servicing and repairing of machinery. These small enterprises

investment in plant and machinery should not exceed Rs. 25 lakhs. Traditional industries, which require high workmanship as well as techniques and also village and household industries producing common goods of consumption predominantly by using simple tools. It also constitutes of decentralized and informal sector like handlooms and handicrafts. Services or business ventures, food and agro based industries, software related industries also form a large part of small-scale industries in India.

Consequent to the enactment of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the small and medium sector has been defined as micro, small and medium enterprises with effect from October 2, 2006. Separate investment limit has been decided for manufacturing and service enterprises.

A manufacturing micro enterprise where investment limit in plant and machinery does not exceed Rs. 25 lakhs and a manufacturing small enterprise where the investment limit in plant and machinery is more than Rs. 25 lakhs but does not exceed Rs. 5 crores and a manufacturing medium enterprise where the investment limit in plant and machinery is more than Rs. 5 crores but does not exceed Rs. 10 crore.

A service micro enterprise where the investment limit in equipment does not exceed Rs. 10 lakhs and a service small enterprise where the investment in equipment is more than Rs. 10 lakhs but does not exceed Rs. 2 crores and a service where the investment in equipment is more than Rs. 2 crores but does not Rs. 5 crores.

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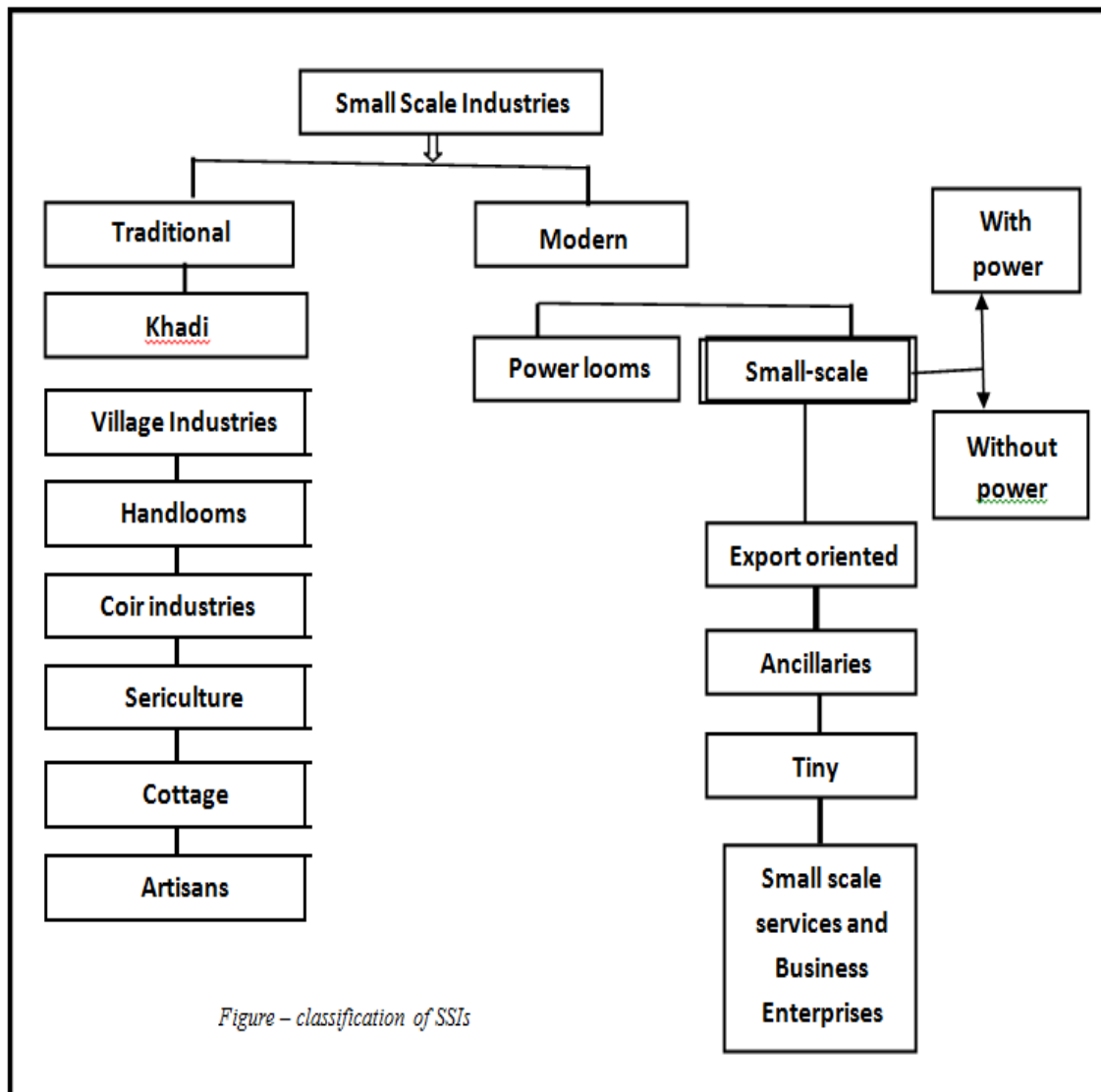
## **8.2 CLASSIFICATIONS OF SSI**

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SSI covers a wide spectrum with two clearly identifiable segments, i.e., modern small scale industries, including small units and power looms and traditional industries like Khadi and Village Industries, Handlooms, Handicrafts Sericulture and Coir industry. Both sectors have their own specific characteristics in terms of capital labor intensity, localization, orientation, production process and skill requirements.

Essentially the small-scale industries are generally comprised of those industries which manufacture, produce and render services with the help of small machines and less manpower. These enterprises must fall under the guidelines which are set by the Government of India.

SSI is the lifeline of the economy, especially in developing countries like India. These industries are generally labor-intensive, and therefore they play an important role in job creation. SSIs are a critical sector of the economy from a financial and social point of view, as they contribute to the per capita income and resource utilization of the economy.



Traditional Industries includes:

- Khadi and Village Industries
  - Handlooms
  - Handicrafts
  - Coir
  - Sericulture
- Modern industries include:
- Small-scale Industrial Undertaking
  - Ancillary Industrial Undertaking
  - Small-scale Service and Business Enterprise (SSSBE)
  - Export Oriented Unit (EOU)
  - Power looms

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### 8.3 CHARACTERISTICS OF SSI

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- **Ownership**  
SSI is usually sole proprietorship. So, it can be either single proprietorship or sometimes partnership.
- **Management**  
Generally, both management and control are with the owner or owners. The owner is therefore actively involved in the day-to-day activities of the business.
- **Labor Intensive**  
SSI's reliance on technology is very limited. They therefore tend to use labor and manpower for their manufacturing activities.
- **Flexibility**  
SSI is more adaptable to their changing business environment. So in the case of improvements or unforeseen developments, they are flexible enough to adapt and continue, unlike large businesses.
- **Limited Reach**  
Small scale industries have a restricted area of operation. Therefore, they can satisfy their local and regional demand.
- **Resources Utilization**  
They use local and readily available resources to help the economy make full use of natural resources with minimal waste.

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### 8.4 OBJECTIVES OF SSI

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The objectives of the small-scale industries are:

- To create more employment opportunities
- To help in the development of rural and underdeveloped areas of the economy
- To reduce regional imbalances
- To ensure maximum utilization of the country's unusable resources
- To improve the living standards of the people
- Ensuring equal distribution of income and wealth
- To solve the problem of unemployment
- To achieve self-reliance
- Adopting the latest technology with the aim of producing better quality products at lower cost

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### 8.5 ROLE OF SSI IN ECONOMIC DEVELOPMENT IN INDIA

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The small-scale industrial sector has seen high growth rates since independence, despite stiff competition from the larger sector and less encouraging support from the government. This is evidenced by the fact that

the number of registered units increased from just 16,000 units in 1950 to 36,000 units in 1961 and 133.67 lakh units in 2007-08. During the last decade alone, the SSI sector has progressed from the production of simple consumer goods to the production of many sophisticated and precision products such as electronics control systems, microwave components, electro-medical equipment, TV sets etc.

- ***Employment Generation***

Inside the manufacturing sector, small and cottage industries account for about four-fifths of manufacturing employment in India. Given the problem of high unemployment, underemployment and hidden unemployment in India, the creation of employment opportunities will be crucial for the development of small scale and cottage industries. The SSI sector in India creates the most employment opportunities for the Indian population, second only to agriculture. It is estimated that an investment of one lakh rupees in fixed assets in SSI generates employment for four persons.

According to the SSI Sector Survey conducted by the Ministry and the National Informatics Center for the base year 1987-88, the following interesting observations were made regarding employment in the small base sector. The food products industry ranks first in generating employment by providing employment to 4.82 lakh people (13.1%). The next two industry groups were non-metallic mineral products employing 4.46 lakh persons (12.2%) and metal products with

3.73 lakh persons (10.2%). Excluding chemicals and chemical products, machinery parts and electrical parts, wood products, basic metallurgical industries, paper products and printing, hosiery and textiles, repair services and rubber and plastic products, contributions ranged from 9% to 5%, total contribution to these eight industries. 49% by groups. The contribution to all other industries was less than 5%.

- ***Production***

The SSI sector plays an important role in the development of the country. It contributes 40% of the total production to the Indian economy. It is estimated that an investment of Rs 1 lakh in fixed assets in a small base sector produces goods or services worth Rs 4.62 lakh with an estimated value increase of 10 percentage points. The small base sector has developed rapidly over the years. Growth rates have been very impressive during various plan periods. The number of small scale units has increased from 8.74 lakh units in 1980-81 to 31.21 lakh units in 1999.

The sector has shown relatively low growth (although positive) from 1990-91 which continued for the next two years. However, this has to be seen against the backdrop of a general downturn in the economy. The transition period of the economic reform process was also affected for some time by adverse factors such as foreign exchange limitations, credit squeezes, slowdown in demand,

high interest rates, shortage of raw materials, etc. When the performance of this sector is seen against the growth of manufacturing and the entire industry sector, it builds confidence in the resilience of the small base sector. The year 1995-96 has seen a surge in growth estimates. The growth of the SSI sector has surpassed the overall industrial growth since 1991. The positive trend is likely to strengthen in the coming years. This trend is a sign of a bright future for SSI.

- ***Export contribution***

The SSI sector plays a key role in India's current export performance. The SSI sector contributes 45% to 50% of Indian exports. The direct exports of the SSI sector account for about 35% of the total exports. The number of base units smaller than direct exports will be more than 5000. In addition to direct exports, it is estimated that small-scale industrial units indirectly contribute about 15% to exports. This is done by commercial exporters, trade houses and export houses. They can also be in the form of export orders of large units or the manufacture of parts and components for the use of ready-to-export goods. Many will be surprised to know that non-traditional products account for more than 95% of SSI exports. Exports from the SSI sector have been at an excellent growth rate this decade. It is largely fueled by exhibits from the region's garment, leather and gems and jewellery units. Attractive manufacturing groups where SSI sector dominates exports include sports goods, readymade garments, woolen garments and knitwear, plastic products, processed food and leather products.

- ***Mobilization of Resources and Entrepreneurial Skill:***

Small-scale enterprises can gather good savings and entrepreneurial skills from rural and semi-urban areas that remain untouched by the grip of large enterprises and use them productively by investing in small-scale units. Small entrepreneurs also improve the social welfare of the country by using inactive, previously neglected talents.

Therefore, a huge number of latent resources are being mobilized by the small-scale sector for the development of the economy.

- ***Equitable distribution of income:***

Small entrepreneurs stimulate the redistribution of wealth, income and political power in society in a way that is economically positive and politically uninterrupted.

Accordingly, small scale enterprises ensure equal distribution of income and wealth in Indian society which is characterized by greater concentration of income and wealth in the organized class while keeping the mostly unorganized sector undeveloped. This is mainly due to the fact that small enterprises are wider than large enterprises and have great potential for employment.



- ***Regional Dispersal of Industries:***

There has been a huge concentration of industries in some of the major cities of the various states of the Indian Union. People from rural and semi-urban areas migrate to these highly developed centers in search of employment and sometimes for a better livelihood which eventually leads to many bad consequences like overcrowding, pollution, slum building etc. This problem of Indian economy is better solved by small-scale industries using local resources and spread of industries in different parts of the country thus promoting balanced regional development.

- ***Provides Opportunities for Development of Technology:***

Small scale industries have tremendous potential to generate or absorb innovations. They in turn provide ample opportunities for the development of technology and technology, creating a favorable environment for the development of small units. Entrepreneurs in small units play a strategic role in new inventions and commercialization of products. It also facilitates the transfer of technology from one to another. As a result, the economy benefits from improved technology.

- ***Indigenization:***

Small-scale enterprises make better use of indigenous organizational and management capabilities by drawing on a pool of entrepreneurial talent that is limited in the early stages of economic development. They provide productive outlets for adventurous independents. They also provide seedbeds for entrepreneurial talent and test rounds for new ventures.

- ***Promotes Exports:***

Small scale industries have seen phenomenal growth in exports over the years. The value of exports of small-scale industries increased to Rs. 393 crores in 1973-74 to Rs. 71,244 crores in 2002-03. This contributes about 35% to India's total exports. They therefore help to increase the country's foreign exchange reserves so as to reduce the pressure on the country's balance of payments.

- ***Supports the Growth of Large Industries:***

Small scale enterprises play an important role in helping large enterprises and projects so that the planned activity of development work is timely. They support the development of large businesses by providing them with the necessary components, accessories and semi-finished goods. In fact, small businesses can revitalize large businesses.

- ***Better Industrial Relations:***

Better industrial relationships between employers and employees help

increase employee efficiency and reduce the frequency of industrial disputes. Production and man-day losses are comparatively small in small scale industries. Strikes and lockouts are rare in these industries due to good employee-employer relations.

Of course, over the years the increase in the number of small business units, production, employment and exports have been considered essential for the economic growth and development of the country. It is encouraging to note that small scale enterprises account for 35% of the total value of production in the manufacturing sector, accounting for about 80% of total industrial employment and about 40% of the country's total exports.

**Conclusion**

Small scale industry is a very important part of the Indian economy today. The development of the sector was mainly due to the vision of our late Prime Minister Jawaharlal Nehru, who sought to develop major industries and acquire a supportive sector in the form of small-scale enterprises. The small-scale sector has emerged as a dynamic and dynamic sector of the economy. Today, it accounts for about 35% of the total value of production in the manufacturing sector and more than 40% of the total exports from the country. In terms of value added, this sector accounts for about 40% of the value added in the manufacturing sector. The contribution of the sector in employment is second only to agriculture in India. Therefore, it is an excellent sector of the economy for investment.

**❖ CHECK YOUR PROGRESS**

**• Multiple Choice Questions:**

**1. Full form of EOUs.**

- a. Essential Operating units
- b. Export Order Units
- c. Export Oriented units
- d. Essential order units

**2. Which of the following is organized by individuals?**

- a. Cottage Industries
- b. Railway industry
- c. None of these
- d. Chemical industry

**3. A small-scale service and business venture is one whose investment in fixed assets of plant and machinery other than land and building is not more than \_\_\_\_\_.**

- a. Rs.25 Lakhs

## ROLE OF SSI

- b. Rs.30 Lakhs
  - c. Rs.10 Lakhs
  - d. Rs.15 Lakhs
4. \_\_\_\_\_ is defined as one in which the investment in fixed assets of plant and machinery does not exceed one crore rupees.
- a. Limited Companies
  - b. Small Scale Industry
  - c. Large Scale industry
  - d. None of these
5. Micro enterprises are those whose investment in plant and machinery does not exceed rupees \_\_\_\_.
- a. 5 Lakhs
  - b. 3 Lakhs
  - c. 1 Lakhs
  - d. 2 Lakhs
6. Which of the following is part of the Modern Small Industries?
- a. Coir
  - b. Handicrafts
  - c. Khadi
  - d. Power looms
7. Which of the following is not included in small business?
- a. Business run by women
  - b. Cottage industries
  - c. Khadi and rural industry
  - d. Industry having investment up to 2 crores
8. In India the small business can be classified into how many categories on the basis of capital investment?
- a. 3
  - b. 3
  - c. 5
  - d. 2
9. Which one of the following is not a characteristic of SSI?
- a. Unlimited work scope
  - b. Management
  - c. Priority of worker
  - d. Limited investment

**10. In India which norm is not used for the measurement of business units?**

- a. Number of people engaged in the business
- b. Capital investment in the business
- c. Quantity of production
- d. Number of educated people in the business

❖ **MCQ Answer**

1	2	3	4	5	6	7	8	9	10
c	a	c	b	c	d	d	d	a	d

**2. Short Questions:**

1. Explain the classification of small-scale industries.
2. “Equality of opportunity requires protection of small businesses by the government” – Give your comment with the help of appropriate concept.
3. Explain objectives of SSIs.
4. Briefly explain a characteristic of SSI.
5. What is the investment limit for SSI?
6. What do you mean by Small business and enlist the objectives of SSIs?

**3. Long Questions:**

1. What is the definition used by government of India for Small Scale Industries? Explain the role of SSI in economic development of India.
2. How can small scale industries contribute to the socio-economic development of India?
3. Describe the scope of SSI in India.

- 9.1 INTRODUCTION
- 9.2 CONCEPT, MEANING AND DEFINATIONS  
OF ENTREPRENEUR
- 9.3 CHARACTERISTICS
- 9.4 FUNCTIONS
- 9.5 BARRIERS TO THE GROWTH OF ENTREPRENEURSHIP
- ❖ CHECK YOUR PROGRESS

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### 9.1 INTRODUCTION

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The success of every nation depends on its capability to produce such goods that satisfy the human wants. There are some people with potential who are ready to take up challenge to produce wealth in the economy. They organize resources and thereby create utility. They are the entrepreneurs, who, generate capital, arrange necessary resources and engage themselves in some meaningful activity to enhance the nation's wealth. They are the prime movers of the industrial development in the economy.

The word 'entrepreneur' has originated from the French verb *entreprendre* which means 'to undertake'. It so derived as, in the 16<sup>th</sup> century, the Frenchmen who used to assist the military programs were referred to as *entrepreneurs*. They were referred in this sense because they were purchasing the necessary inputs at uncertain prices whose selling was again uncertain. They were ready to take risk and were referred to as entrepreneurs. After 1800, they received an additional role of a co-coordinator of resources. Entrepreneur was considered as a coordinator who organizes all the inputs necessary for production and coordinates them in order to produce some meaningful output. Today, entrepreneur has received the status of an innovator who brings in something new to the market.

In the words of Alfred North Whitehead, "The greatest invention of all is the invention of inventing inventions". Entrepreneurs are the developers of a nation and discover the market by their inventive visualization. Being one of the most important factors of production, an entrepreneur is the centre point of every economic activity undertaken. Over the years, they have been playing a crucial role in the development of economic activity. Peter Drucker writes, "The emergence of the entrepreneurial society may be a major turning point in history."

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### 9.2 MEANING & DEFINITIONS OF AN ENTREPRENEUR

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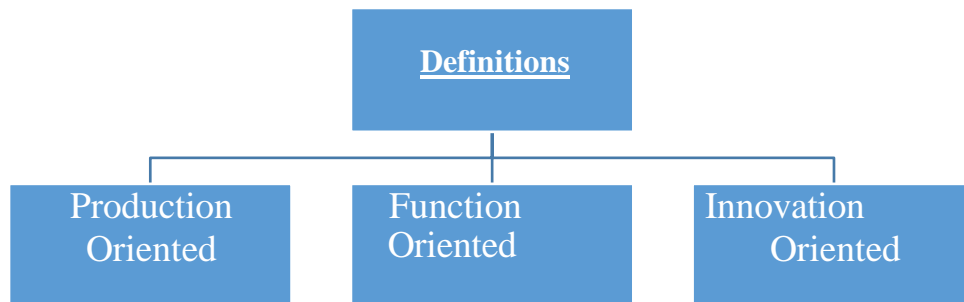
An entrepreneur is a person or group of persons willing to establish an enterprise for some profitable venture. He is the one who has ability to manufacture utile commodity by bearing calculative risk and has necessary

skill to innovate. He has a strong drive that keeps him motivated to work hard for achieving success. An entrepreneur is indeed a reflector of the dormant needs of the mass.

An entrepreneur is a person with adequate skill to make the first move to do non-recurrent activity in order to produce profit. In other words, entrepreneurs are those persons who are ready to take up the challenge of combining different inputs to yield maximum output which in turn produces profit.

The definition of an entrepreneur has been evolving over the years according to the development of an economy. Different writers have tried to define entrepreneurs differently depending on the environment prevailing in the economy and the notions that people use to carry in their minds. Let us consider a few definitions of entrepreneurs from the following few viewpoints:

- A. Production/ Activity oriented definitions
- B. Functions oriented definitions
- C. Innovation/ Invention oriented definitions



❖ **Production/Firm Oriented Definitions**

- In the words of Richard Cantillon, “An entrepreneur is an agent who buys means of production at certain prices in order to continue them into a product which is going to sell at prices that are uncertain”.
- According to Frank Knight, “An entrepreneur is a specialized group or persons who bear risks and meet the uncertainty”.
  - To J.B. Say, “An entrepreneur is that person who shifts economic resources out of an area of lower level of productivity into an area of higher productivity and greater yield”.

❖ **Functional Definitions**

According to R.T. Ely, “Entrepreneur is the person who organizes and directs the productive factors”.

- According to Alfred Marshall, “Entrepreneur is an individual who ‘adventures’ or ‘undertakes’ risks, who brings together the capital and labour required for the work, who arranges or engineers its general plan, and who superintends its minor details”.
- In the words of Gerald A. Silver, “An entrepreneur is an individual who conceives an idea for a new product or service, then finds some way of raising capital to form a business to produce the product or service”.

### ❖ Innovation Oriented Definitions

- In words of Joseph Schumpeter, “Entrepreneur is a person who foresees the opportunity and tries to exploit it by introducing a new product, a new method of production, a new market, a new source of raw materials or a new combination of factors of production”.
- Forrest Frantz defines entrepreneur as more than a manager. He is an innovator and promoter as well.
- According to Peter Drucker, “The entrepreneur always searches for change, responds to it, and exploits it as an opportunity”.

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### 9.3 CHARACTERISTICS/ FEATURES OF AN ENTREPRENEUR

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From the above definitions, we can extract few of the characteristics / features of an entrepreneur:

#### **1. Vision**

An entrepreneur has a vision. He remains pre-occupied with task so as to achieve what he has foreseen. He keeps on searching the opportunities and tries to exploit the same so as to achieve pre-determined objectives.

#### **2. Risk**

Entrepreneur is a risk-bearer. He likes to take up risk. When he innovates something or takes up the responsibility of inventing something new, he is inviting risk factor in his operations. Generally, entrepreneur, being a rational investor, tries to take calculated risk so that he does not drag himself into losses.

#### **3. Innovation**

Joseph Schumpeter regards ‘Innovation’ as a tool of entrepreneur. Entrepreneur always looks for the opportunity to innovate new product, explore new market and new source of raw material and introduce new production process for the development of economy. Basically, his task is

**‘Creative Destruction’ of resources.**

#### **4. Self-Motivated**

The most significant feature of an entrepreneur is that he is self-motivated. He has a strong desire to achieve something. These burning desires automatically channelize into a work behavior that would lead him to success. His mind keeps on instigating him to work toward the set goals.

#### **5. Leader**

Entrepreneur is more than a manager; he is a true leader indeed. He leads the enterprise from the front. He has the ability to influence the behavior of the others thereby directing their efforts into the right direction which will lead them to success.

## 6. Result oriented

The main intention of an entrepreneur is always on producing results in whatever activity he carries out. He is both the planner and executor of the strategies. He aims to get results by adapting an action-oriented approach. The basic assumption guiding them is that every action will produce some results whether favorable or not. But, they are interested in results. A positive result will produce gains while negative will give them experience.

## 7. Employment Generator

Entrepreneur is a job giver and not a job seeker. He creates employment opportunities in the society, thereby trying to solve problem of unemployment in any country. It has two-fold effects: 1) He is not adding himself to the unemployed lot, and instead, 2) he generates employment/jobs in the economy.

## 8. Hard Work

One of the basic traits of an entrepreneur is hard work. He has trust in his abilities and keeps on doing work for extended period so as to generate results or achieve success. He likes challenges and is willing to work hard to achieve something which is desired desperately.

## 9. Optimist

An entrepreneur is always optimistic in his approach. He is never ready to accept defeat against challenges of business. Even in the case of failure, he is never disappointed. He has faith in himself and is self-motivated to achieve his goal. It is the special characteristics of an entrepreneur that he has never been afraid of obstacles and does not drop the hope.

## 10. Other features:

- a. Dynamism
- b. Freedom lover
- c. He is turning professional
- d. Expects profit
- e. He is a revolutionary

## ❖ Entrepreneurship – Concept, Meaning & Definitions

The concept of entrepreneurship has gained value to expedite the growth of economy in developed and developing countries. It encourages formation of capital in the economy and there by showing the pathway to prosper it. The entrepreneurship majorly leads to self-employment and creates job providers and in turn aims at reducing unemployment and poverty. Entrepreneurship basically is a process of recognizing opportunity in the business environment, assembling the resources necessary to capture the opportunity for reaching the desired goal. The kernel of entrepreneurship is to obtain the finest combination of various inputs which would lead the entrepreneur to operate effectively in the market. From the view point of management, it is the process of planning, organizing and controlling the business enterprise. It is indeed an initiative that



## ENTREPRENEURSHIP

an entrepreneur takes up to set up an economic entity with major aim of generating profits.

In the words of W.N. Loucks, “Entrepreneurship is a mixture of willingness to take risks, a desire for income and prestige, the urge for self-expression, creativeness, and independence with a dash of the gambling spirit and possible additional subtle psychic components.”

According to Pareek and Nadkarni, “Entrepreneurship refers to the general trend of setting up new enterprises in a society.”

Schumpeter defines “Entrepreneurship is an innovative function. It is a leadership rather than an ownership.”

According to Cantillon, “It is the quality of an entrepreneur who buys means of production at certain prices in order to combine them into a product which he is going to sell at prices that are uncertain.” According to Rao and Mehta, “Entrepreneurship can be described as creative and innovative response to the environment”.

### ❖ **Characteristics/ Nature/ Features:**

On the basis of the above definitions, we can explore the following characteristics of entrepreneurship:

#### **1. Profit – oriented activity**

The main aim of an entrepreneur is to generate profit out of one’s venture. He takes up those activities as would yield him maximum profit. Of course, the objective of earning profit would set in accordance with the various social responsibilities that an entrepreneur possesses.

#### **2. Risk**

The most important element of entrepreneurship. Any one intending to engage himself in this conception has to face many challenges and has to tackle uncertain consequences. The entrepreneur operates under uncertainties.

#### **3. Involves Innovation**

Entrepreneur involves himself into creative destruction practice. He is the one who innovates something new and brings it to the disposition of the market. They are called ‘Change Agents’.

#### **4. Gap – Filler**

Entrepreneurs are the genuine gap-fillers. They bridge the gap between what the human wants and what is available to their disposal. They are the ones who find out the dormant needs of people and arrange for necessary resources to produce the desired goods to their satisfaction.

## **Manager-cum-Leader**

In spite of performing managerial functions, an entrepreneur is a true leader. He has a team which he is leading from the front. He is the one who has got vision. He has the ability to motivate others to work efficiently and directs the efforts of the followers to the right direction in order to generate desired results.

### **5. It is a Practice**

Entrepreneurship has never been a pure science or an art. It is a practice. The entrepreneur uses his knowledge and experience to operate effectively. He learns from the mistakes and incidences that take place in the environment and strives for achievement.

### **6. Principles at its base**

Entrepreneurship is based on various disciplines such as economics, psychology, sociology, management and many others. When an entrepreneur steps himself in this process, he has to take into consideration these aspects before arriving at any decision. The mental determination or intuition will not work.

### **7. Omni-present**

It is said that entrepreneurship is required in almost every field. Whenever a person takes up risk or innovates something for himself and for the betterment of society, he is engaging himself in the process of entrepreneurship. It has wide applications starting from business to politics to research to military and so on. Entrepreneurial traits are equally important and required for need fulfillment.

### **8. Affected by environment**

External environment is dynamic in nature that provides opportunities and also involves threats. Entrepreneur, in the process of carrying out his activity, has to consider external environment more closely as it works on his own and is beyond the control of any person. The external forces exert pressure on the business and entrepreneur has to inculcate those changes into the organization in order to survive in the market.

### **9. Requires Hard work**

There is no doubt that it requires immense hard work and dedication towards tasks. Entrepreneurship is an innovative and purposeful activity which requires systematic and organized work. It is only the hard work which will help entrepreneur to reap profits and achieve success.

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## **9.4 FUNCTIONS**

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### **1. Innovation**

Innovation is a process of creating, converting, changing and combining

## ENTREPRENEURSHIP

various inputs so as to produce something which the world has never seen before. In the words of Joseph Schumpeter, entrepreneurship is inevitably a creative activity. The main function of an entrepreneur is to bring in something new to the market. He puts into practice new combinations and undertakes new business enterprise. Entrepreneurs inculcate changes and are popularly known as 'Change Agents'. Schumpeter has specified following forms of innovation that an entrepreneur normally develops:

- To introduce new product or service
- Improved product or a product with a new quality
- New method of producing something
- Exploring new market for the existing product
- Discovering new source of supply of raw materials, Entrepreneur takes on the process of 'Creative Destruction'.

### 2. Employment Generation

As discussed earlier that entrepreneurs are not job seekers, but they are job providers. They start up a new enterprise and create various jobs inside as well as outside the organization. Inside the organization they recruit various employees, workers, managers, etc. to operate his organization effectively. Outside the organization, he creates job for various services such as transportation, communication, banking, insurance etc., on the one hand, and, agent, distributors, wholesalers, retailers etc., if employed, on the other.

### 3. Resource management

Entrepreneur, along with his leadership traits, he has a major job in hand, i.e., Management of Resource. Resources are the inputs that every organization uses. Resources include men, machines, money, land, etc. These all do not work properly if they are not being managed or controlled. An entrepreneur has to plan, organize, direct and control these resources in a coordinated way so as to operate efficiently. Again, coordinating is not the solution. These have to be directed in such a way that they yield a greater amount of return. Yield has to be such that it covers the cost substantially thereby allowing fair amount of margin for the entrepreneur to earn a handsome profit for the efforts that he has put in. Entrepreneurship is a beautiful collusion of personal traits/ qualities and management principles. Resource management is another important function/ role which every entrepreneur has to perform.

### 4. Capital formation

Resource management, as we have seen, is an important aspect of entrepreneurial management. Now, before managing resources, they first have to be acquired. Machineries, land, building, equipment, etc. all involves initial investment. In order to invest in these resources, an entrepreneur needs capital. Either they have to use their own capital or they have to borrow. Naturally, all of them do not possess the required capital. They have to procure it from various sources. In order to make certain necessary investments, they borrow capital from the market. As the capital is procured from the market, the capital which was lying idle otherwise, would become active. This way an economy

starts growing and invites more capital flow at higher rates as there is enough motivation in the market generated by the entrepreneurs by hiring the capital for productive purposes. Entrepreneurs perform the task of capital formation.

### **5. Economic prosperity**

An entrepreneur channelizes inputs to right direction which will lead him to success and in turn the success of the nation/ economy. By generating employment and creating capital, he solves the burning problem of an economy in two ways. On the one hand, he does not add himself to the already increased unemployment problem, and on the other hand, he himself creates jobs in the market trying to defuse the problem of unemployment by providing jobs to the employed. By practicing this concept, one can really make one's economy prosper.

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## **9.5 BARRIERS TO THE GROWTH OF ENTREPRENEURSHIP**

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In our country, entrepreneurs are available in substantial quantity but some of them have either migrated or they don't have sufficient skill to utilize for the betterment of the society. Again, there are various other external problems which are out of reach of an entrepreneur and it makes the situation even more difficult for the entrepreneur who does possess adequate knowledge and skills to grow. Some of them are highlighted below:

### **1. Inadequate Capital**

The basic obstacle in the growth of entrepreneurship is the scarcity of capital. An entrepreneur may have an idea that is feasible enough to cater the needs of the population, but unavailability of adequate capital can handicap the efforts. Capital is regarded as the life-blood of every economic activity. Without capital a business cannot work properly. Owing to shortage of capital, entrepreneurs may get helpless and suffer stagnation or downhill motion of entrepreneurship.

### **2. Limited Training Facility**

Entrepreneurs are not always born, at times; they have to be created or made. For this, training and inspirational force is required. But, the facilities of training entrepreneurs and encouragements are still very limited concerning the present requirement in the country. Besides, majority of the training centres are situated in cities while villages lack in such facilities and so, poor youths of villages are not able to go to the cities for training. And less educated people of village do not have information about such training centres. So, the development of the entrepreneurship is slow.

### **3. Lack of technical education**

It has been highly criticized by various experts and industrialists, that the educational system of our country doesn't equip the students with adequate technical education/ details. As a result, when an individual goes out in the market after the completion of their basic education, they are not able to cope-up with the requirements of the job. There are a few institutes that provide good technical and business education in our country.

### **4. Inadequate Government support**

The Government develops various plans and makes arrangements in order to motivate people to take up self-employment in terms of entrepreneurship. But these are just plans and nothing has been effectively implemented as such. Still the entrepreneurs find it difficult to establish a unit in remote areas where the government claims of helping them who choose to establish their plant in remote areas. Basic amenities such as water, electricity, roads, communications etc. are not been developed in those areas. Because of insufficient government facilities, emergence and development of entrepreneurial class in our country has been slow.

### **5. Political Instability**

Our political system is not stable and it becomes very difficult to have smooth running of industrial activity. As and when the political party changes, invariably it changes the rules and regulation which directly or indirectly affects the business enterprise. The ruling party favors few while other faces adverse conditions thereby de-motivating the incoming lot of entrepreneurs to take up entrepreneurship.

### **6. Resistance to change**

Entrepreneurship is all about invention, innovation and creativity. They are the one who brings change in the environment. There are substantial amount of people living in the country who are reluctant in accepting the change. They still prefer the older products or services. They don't appreciate the change which is brought for their betterment. This resistance to change de-motivates the future generation of entrepreneurs to take up entrepreneurship.

### **❖ CHECK YOUR PROGRESS**

#### **• Multiple Choice Questions**

#### **1. Which of the following is innovation according to Joseph Schumpeter?**

- a. New product
- b. New method of production
- c. New source of Raw Material
- d. All of the above

#### **2. An entrepreneur fills the gap between...**

- a. Human wants and money
- b. Human desires and capital
- c. Human wants and products
- d. Human desires and employment

#### **3. Entrepreneurship is...**

- a. Creative activity
- b. Economic activity
- c. Goal oriented activity

- d. All of the above
- 4. Innovation could be in form of new markets, new methods of production, new product/service, new source of material, etc., was given by**
- Frank knight
  - Leibenstein
  - Joseph Schumpeter
  - Peter drucker
- 5. \_\_\_\_\_ is one of the main functions of entrepreneur**
- motivation
  - arranging for capital
  - staffing
  - risk-taking
- 6. \_\_\_\_\_ is the tool of an entrepreneur according to Joseph Schumpeter.**
- leadership
  - risk-taking
  - innovation
  - decision making
- 7. The term entrepreneur was originated from \_\_\_\_\_ verb.**
- Latin
  - French
  - Sanskrit
  - Both (a) & (b)
- 8. In French, entrepreneur is ‘entreprendre’ means...**
- To undertake
  - To arrange
  - To coordinate
  - All of the above
- 9. Entrepreneurship is...**
- An art
  - A science
  - A practice
  - Both (a) & (b)
- 10. Which of the following is/are the barriers to the growth of entrepreneurship?**
- Limited capital
  - Limited training
  - Resistance to change
  - All of the above

## ENTREPRENEURSHIP

- **MCQ Answer**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
<b>d</b>	<b>c</b>	<b>d</b>	<b>c</b>	<b>d</b>	<b>c</b>	<b>b</b>	<b>a</b>	<b>c</b>	<b>d</b>

- **Questions**

1. Define entrepreneurship. Discuss its nature
2. Discuss various categories of definitions of “Entrepreneurship”.
3. ‘Entrepreneurship is leadership rather than ownership’ – Explain
4. Discuss role & functions of entrepreneurship.
5. “The emergence of the entrepreneurial society may be a major turning point in history.” – Elucidate.
6. “Entrepreneurs are Job Providers and not Job Seekers”. – Discuss
7. Explain the term entrepreneur. Discuss its major characteristics.
8. Explain various functions that an entrepreneur performs.
9. Entrepreneur is also known as ‘Resource Manager’. – Explain.
10. Explain various definitions of entrepreneurship and describe the significance of the same.

- **Short Notes:**

1. Difference between Entrepreneur and Entrepreneurship
2. Definitions of Entrepreneurship
3. Employment Generation by an entrepreneur
4. Innovation – an effective tool of an entrepreneur

**10.1 INTRODUCTION****10.2 TECHNICAL CONSULTANCY ORGANIZATIONS (TCOS)****10.3 NATIONAL SMALL INDUSTRIES CORPORATION (NSIC)****10.4 SMALL INDUSTRIES DEVELOPMENT ORGANIZATION (SIDO)****10.5 SMALL SCALE INDUSTRIES BOARD (SSIB)****10.6 STATE SMALL INDUSTRIES DEVELOPMENT CORPORATIONS (SSIDC)****10.7 SMALL INDUSTRIES SERVICES INSTITUTES (SISIS)****10.8 DISTRICT INDUSTRIAL CENTRES (DICS)****❖ CHECK YOUR PROGRESS**

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**10.1 INTRODUCTION**

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Starting a business unit is not an easy task for an entrepreneur. It requires various resources and facilities. For an entrepreneur, who is relatively new to the environment, it becomes difficult to arrange all the resources to start and run an enterprise. Finance is one of the important factors affecting an entrepreneur. Finance is needed to purchase land and machineries, construct buildings, procure materials, and so on from different suppliers to run his enterprise. Identifying this need, the Government has established and directed various financial institutions and development banks to assist small entrepreneurs in providing credit. Apart from finance, there are other requirements which need immediate attention in order to start and run an enterprise. In order to operate effectively, a minimum level of infrastructure is needed. Financial assistance definitely helps an entrepreneur but cannot solve the problem of transportation, communication, power etc. A few areas, in spite of being rich in resources, fail to attract industries because of lack of infrastructural facilities. Small and new entrepreneurs cannot solve this problem. Viewing this difficulty, various state and central government institutions have been set up to assist small entrepreneurs in providing various kinds of facilities to support them. The kind of support and facilities provided by various institutions has been discussed below:

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**10.2 TECHNICAL CONSULTANCY ORGANIZATIONS (TCOS)**

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Technical Consultancy Organizations (TCOs) provide a comprehensive package of services to small & medium enterprises, industrial entrepreneurs, government agencies, banks and other similar institutions in the task relating to industrial development and marketing. All India Financial Institutions in collaboration with state level institutions and commercial banks established a set of TCOs throughout the country to cater consultancy needs of small & medium enterprises and entrepreneurs. The network of Technical Consultancy Organizations (TCOs) was established by the all-India financial



## INSTITUTIONS FOR ENTREPRENEURIAL DEVELOPMENT

institutions in the seventies and eighties in collaboration with state-level financial/ development institutions and commercial banks to cater to the consultancy needs of small industries and new entrepreneurs.

At present there are 17 TCOs which are mentioned below:

1. Andhra Pradesh Industrial and Technical Consultancy Organization (Ltd) (APITCO).
2. Bihar Industrial and Technical Consultancy Organization Ltd (BITCO)
3. Gujarat Industrial and Technical Consultancy Organization Ltd (GITCO)
4. Haryana – Delhi Industrial Consultants Ltd (HIMCO)
5. Himachal Consultancy Organization Ltd. (HIMCO)
6. Industrial and Technical Consultancy Organization of Tamil Nadu Ltd (ITCOT)
7. Jammu and Kashmir Industrial and Technical Consultancy Organization Ltd(J&KITCO)
8. Karnataka Industrial and Technical Consultancy Organization Ltd (KITCO)
9. Madhya Pradesh Consultancy Organization Ltd (MPCON)
10. Maharashtra Industrial and Technical Consultancy Organization Ltd (MITCON)
11. North-Eastern Industrial Consultants Ltd. (NECON)
12. North-Eastern Industrial and Technical Consultancy Organization Ltd (NEITCO)
13. North-India Technical Consultancy Organization Ltd (NITCON)
14. Orissa Industrial and Technical Consultancy Organization Ltd (ORITCON)
15. Rajasthan Consultancy Organization Ltd (RAJCON)
16. U.P. Industrial Consultants Ltd (UPICO)
17. West Bengal Consultancy Organization Ltd (WEBCON)

These 17 TCOs running in various states provide the below mentioned services:

- Undertaking surveys, especially relating to potential of a particular industry. TCOs generally undertakes surveys on behalf of various firms in order for them operate effectively. These surveys will help these new firms to operate effectively.
- Another significant contribution of TCOs is that they help in identifying potential entrepreneurs and provide them managerial and technical guidance so that when come in the market, they don't face a lot of issues in operating.
- Marketing research for specific products. TCOs also conduct marketing research for products when asked upon. They conduct all the preliminary inquiries regarding its target market, buyers, purchasing power, media required to address the audience, and so on. This will certainly help marketer in smoothly launching product in the market.
- Supervising projects and rendering technical and managerial assistance. Apart from helping entrepreneur in identifying and starting enterprise, they also supervise various projects by providing technical and managerial guidance time and again to help them.
- Sick units study and their rehabilitation. One of the major areas of

TCOs is identify and study sick industrial concerns and help them in rehabilitating. There are some units which, in spite of having potential, turn sick. These all can be rehabilitated under proper guidance.

- Conducting EDPs and skill development programmes

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### **10.3 NATIONAL SMALL INDUSTRIES CORPORATION (NSIC)**

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The National Small Industries Corporation Ltd. (NSIC) was set up in 1955 under the Union Ministry of Industries to promote and assist the growth of small-scale industries in the nation. The major objective of this corporation is to enhance its reach which will result in growth in its business. Further, to achieve operational efficiency and self-sustenance by attaining better productivity and profitability, and to upgrade the professional skills of all employees keeping in pace with business needs. NSIC provides wide range of assistance to small scale enterprises which is discussed below:

#### **Functions:**

- NSIC provides the facility of hire-purchase for small scale industries to purchase machinery and other equipment.
- Another important facility provided by corporation is to provide leasing facility. The type of leasing may differ depending upon contractual requirements. It can either be operating lease or financial lease.
- To promote products of small-scale industries in export market
- To contribute in bulk purchase programme organized by Government
- To supply direct raw materials to small scale industries from raw material depository/depots. This is done in order to provide industries with continuous supply at reasonable price.
- To develop, upgrade and modernize technology of small-scale industries. This is done to make small industries competent to achieve global standards.
- To provide training facility to industrial concerns for skills enhancement
- To undertake the construction of industrial estates.

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### **10.4 SMALL INDUSTRIES DEVELOPMENT ORGANIZATION (SIDO)**

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SIDO has been set up to give training and managerial inputs to small scale entrepreneurs. It has a strong support from financial institutions and government agencies for the promotion & development of small-scale industrial units. It is an apex body and nodal agency for formulating, coordinating and monitoring the policies and programmes for promotion and development of small-scale industries. Development Commissioner is the head of the SIDO. He is assisted by various directors and advisers in evolving and implementing various programmes of training and management consultancy, industrial investigation, possibilities for development of different types of small-scale industries, development of industrial estates, etc.

The main aim of this organization is to train small entrepreneurs who

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cannot afford to pay the cost of professionally qualified persons. SIDO trains these entrepreneurs along with upgrading skills of workers working in small scale industries. It has a network of 25 Small Industries Service Institutes (SISIs), 41 extension centres, 4 regional testing centres and one product and process development centre. The specific functions of SIDO have been briefly given mentioned below:

- To develop a national policy for the betterment of small-scale industries
- To co-ordinate the programmes of various state government in order provide facilities to industrial concerns.
- To maintain a proper connection between Central Ministry, Planning Commission, State Government, Financial Institutions and other agencies.
- To co-ordinate the development of industrial estates
- To reserve few products exclusively to be produced by small scale industries only
- Finding the import needs and encouraging the entrepreneurs to start manufacturing of these items which are highly imported
- To provide assistance to units engaged in providing ancillary services
- To encourage small scale entrepreneurs to participate in Government Store Purchase Programme by providing them guidance and advice.
- To provide training facility to enhance skills and strengthen competitive abilities of small-scale entrepreneurs.

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### **10.5 SMALL SCALE INDUSTRIES BOARD (SSIB)**

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Small Scale Industries Board has been set up by Government of India in 1954 to provide recommendation on development of small-scale industries in the nation. It is also known as Central Small Industries Board. It is at the apex of advisory body constituted to render advice to the Government on problems relating to the improvement of small-scale industries. The range of developmental work in small-scale industries involves several departments and several organs of the Central and State Government. Thus, to facilitate coordination and inter-institutional linkages, the Small Scale Industries Board has been constituted.

The board reconstituted every three two years and is headed by the Minister in charge of small scale industries in the Government of India. The Industries Minister of the Government of India is the Chairman of the SSIB. The SSIB comprises of 50 members including State Industry Minister, some Members of Parliament, Secretaries of various Departments of Government of India, financial institutions, public sector undertakings, industry associations and eminent experts in the field.

The major objectives of SSIB are listed below:

- To help develop the rural and less developed regions of the economy.
- To ensure optimum utilization of unexploited resources of the country.
- To reduce regional imbalances
- To improve standard of living of people.

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## **10.6 STATE SMALL INDUSTRIES DEVELOPMENT CORPORATIONS (SSIDC)**

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The State Small Industries Development Corporations (SSIDC) were set up in various states under the Companies Act, 1956, as a state government undertaking to cater the principal needs of small, tiny and village industries in the State/Union Territories under their jurisdiction. Incorporation under the companies Act has provided SSIDCs with greater operational flexibility and wider scope for undertaking a variety of activities for the benefit of the small sector.

The basic objectives of SSIDC are:

1. The main objective of SSIDC is to stimulate the growth of industries in the small-scale sector
2. To provide infrastructure facilities like roads, drainage, electricity, water supply, etc.
3. To Promote industrial estates which will provide industrial sheds of different sizes with all basic infrastructure facilities.
4. To Provide technical assistance through training facilities to the entrepreneurs.
5. To Promote skilled labor through setting up of industrial training institutes.

The important functions performed by the SSIDCs are as follows:

- To help SSI to procure raw materials which is not available easily
- To offer hire-purchase services for purchasing machinery
- To provide seed capital to small scale industries as an extension of government assistance
- To provide technical and managerial assistance to various manufacturing units
- To promote the products of SSI in the market and also assist the SSI in marketing by themselves as well
- To undertake construction of factory sheds for SSI, building up industrial estates and providing few other infrastructural facilities.

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## **10.7 SMALL INDUSTRIES SERVICES INSTITUTES (SISIS)**

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The Small Industries Services Institutes (SISIs) were set up to provide consultancy and training to small scale industry's entrepreneurs. The activities of these institutes are coordinated by the Industrial Management Training Division of the DCSSI's office. There are 28 SISIs and 30 branches of SISI set up all over the nation. The objectives of SISIs are mentioned below:

- ✓ Initiating steps for technological upgradation and modernization of existing units.
- ✓ Expanding the channels for marketing the products of the small-scale sector.
- ✓ Promotion of employment – oriented industries.

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### Functions:

- To provide technical services to small scale entrepreneurs in order to provide support in technology development and up gradation
- To organize Entrepreneurship Development Programme (EDP) thereby contributing to the generation of potential entrepreneurs in the nation
- To promote the products of SSI in domestic market. This will help these SSIs to achieve growth faster and will be able to compete the growing competitive business environment.
- SISIs also renders services in the following areas:
  - Economic consultancy/Information/EDP consultancy
  - Trade and Market information
  - State industrial potential survey
  - Project profiles
  - District industrial potential surveys
  - Modernization and in-plant studies
  - Workshop facilities
  - Training in various trade/activities

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### 10.8 DISTRICT INDUSTRIAL CENTRES (DICS)

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The District Industries Centres (DICS) programme was started on May 8, 1978 with a view to provide integrated administrative framework at the district level for promotion of small-scale industries in rural areas. The main activity of DICS is to develop and promote Cottage and Small Scale Industries in the district. The organizational structure consists of One General Manager, four Functional Managers and three Project Managers. Project managers to provide technical service in the area relevant to needs of district concerned. The management of the DICS is vested with the State Governments. The scheme has been transferred to the states and from the year 1993-94, funds will not be provided by the Central Government to the States for running the DICS. Till March 31, 1988, 422 District Industries Centres (DICS) have been set up covering 431 districts of the country leaving out the metropolitan cities and some new districts.

The chief objectives of District Industrial Centres (DICS) are mentioned below:

- ✓ To identify the new entrepreneurs and providing assistance to them regarding their own startups.
- ✓ To provide financial and other facilities to smaller blocks.
- ✓ To rise the complete efforts to industrialization at district level.

### Functions:

- Technical support for preparation of project report
- To conduct industrial surveys on behalf of entrepreneurs in order to help them in selecting product, market, suppliers, etc.
- To check the feasibility of various project proposals received from entrepreneurs
- To promote the products in domestic and foreign markets

- To undertake the construction of sheds in the industrial estates
- To provide training through an Entrepreneurship Development Programme(EDP)
- To provide financial assistance under self-employment scheme and through various banks
- To rehabilitate sick units
- To improve managerial capability through seminars, workshops and training
- Setting up bio-gas plants and keeping in check the pollution.

## ❖ **CHECK YOUR PROGRESS**

### • **Descriptive Questions**

**Write a detailed note on the following:**

1. Write a detailed note on Technical Consultancy Organizations (TCOs)
2. Write a detailed note on National Small Industries Corporation (NSIC)
3. Write a detailed note on Small Industrial Development Corporation (SIDO)
4. Write a detailed note on State Small Industries Development Corporations (SSIDCs)
5. Write a detailed note on Small Scale Industries Board (SSIB)
6. Write a detailed note on Small Industries Services Institutes (SISIs)
7. Write a detailed note on District Industries Centres (DICs)

### • **Multiple Choice Questions:**

#### **1. Full form of MSME.**

- a. Micro Small & Medium Enterprises
- b. Macro Small & Micro Enterprises
- c. Micro Small & Macro Enterprises
- d. None of the above

#### **2. TCO stand for...**

- a. Technical Consultancy Orientation
- b. Technology Creation Organization
- c. Technical Consultancy organization
- d. Both (a) & (b)

#### **3. Small Scale Industries Board (SSIB) is also known as...**

- a. Central Small Industries Board
- b. Central Small Industrial Body
- c. Central State Industrial Board
- d. Central State Industries Body

## INSTITUTIONS FOR ENTREPRENEURIAL DEVELOPMENT

4. NSIC was set up in...
- 1954
  - 1955
  - 1956
  - 1957
5. SSIDC was established under which of the following Acts?
- MRTP Act
  - Co-operative Societies Act
  - Payment of Wages Act
  - Companies Act
6. DICs were initiated in...
- 1975
  - 1976
  - 1978
  - 1980
7. How TCOs are there in India?
- 16
  - 17
  - 18
  - 19
8. \_\_\_\_\_ is the head of SIDO.
- Development Commissioner
  - Attorney General
  - Registrar of Company
  - None of the above
9. Which of the following is implement through DICs?
- SEEUY
  - PMRY
  - Both (a) & (b)
  - None of the above

❖ **MCQ Answer**

1	2	3	4	5	6	7	8	9
a	c	a	b	d	c	b	a	c





## યુનિવર્સિટી ગીત

સ્વાધ્યાય: પરમં તપ:

સ્વાધ્યાય: પરમં તપ:

સ્વાધ્યાય: પરમં તપ:

શિક્ષણ, સંસ્કૃતિ, સદ્ભાવ, દિવ્યબોધનું ધામ  
ડૉ. બાબાસાહેબ આંબેડકર ઓપન યુનિવર્સિટી નામ;  
સૌને સૌની પાંખ મળે, ને સૌને સૌનું આભ,  
દશે દિશામાં સ્મિત વહે હો દશે દિશે શુભ-લાભ.

અભણ રહી અજ્ઞાનના શાને, અંધકારને પીવો ?  
કહે બુદ્ધ આંબેડકર કહે, તું થા તારો દીવો;  
શારદીય અજવાળા પહોંચ્યાં ગુર્જર ગામે ગામ  
ધ્રુવ તારકની જેમ ઝળહળે એકલવ્યની શાન.

સરસ્વતીના મયૂર તમારે ફળિયે આવી ગહેકે  
અંધકારને હડસેલીને ઉજાસના ફૂલ મહેકે;  
બંધન નહીં કો સ્થાન સમયના જવું ન ઘરથી દૂર  
ઘર આવી મા હરે શારદા દૈન્ય તિમિરના પૂર.

સંસ્કારોની સુગંધ મહેકે, મન મંદિરને ધામે  
સુખની ટપાલ પહોંચે સૌને પોતાને સરનામે;  
સમાજ કેરે દરિયે હાંકી શિક્ષણ કેરું વહાણ,  
આવો કરીયે આપણ સૌ  
ભવ્ય રાષ્ટ્ર નિર્માણ...  
દિવ્ય રાષ્ટ્ર નિર્માણ...  
ભવ્ય રાષ્ટ્ર નિર્માણ