

ENTREPRENEURSHIP DEVELOPMENT PERSPECTIVE

Unit Structure

- 1.0 Objective
- 1.1 Introduction
- 1.2 Entrepreneurship
- 1.3 Entrepreneurial Culture
- 1.4 Theories of Entrepreneurship
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1.0 OBJECTIVE

After studying this unit the student will be able to –

- Understanding the concept of Entrepreneurship and the factors affecting growth of entrepreneurs.
- Knowing the various types of entrepreneurs and the requirement of entrepreneurship structure.
- Knowing about the elements of culture and steps to change the entrepreneurial culture.
- Describe the difference between Entrepreneurial v/s Administrative culture
- Explain the various theories of Entrepreneurship

1.1 INTRODUCTION

The concept of entrepreneur varies from industry to industry, country to country as well as from time to time.

The word entrepreneur has an interesting definitional history and it stems from the French word “entreprendre” which refers to undertake.

Economists never had a consistent definition of “entrepreneur” or “entrepreneurship”. An entrepreneur is “a person who starts a business and is willing to risk loss in order to make money”.

The common keyword ‘business’ and ‘risk’ are interrelated. If there is no real business or risk, a person cannot be called as an entrepreneur.

- The small businessman who has founded your neighbourhood grocery shop is an entrepreneur.
- The founder of the startup laundry service across the street is an entrepreneur.

- The founder of the multi-billion Reliance Co.Ltd. with his hi-tech world-leading application is an entrepreneur.
- The freelancing plumber who works for himself and unclogs your drains is an entrepreneur.

Entrepreneurship means the willingness of an individual to start a new business venture by taking risk and managing it in this technology enabled competitive global environment. The entrepreneurs are passionate to innovate, lead, invent or pioneer with a disruptive product or technology. The size of the business, the type of work involved, the age or the formal education of the entrepreneur etc. does not restrict the entry of the entrepreneur. Similarly, the label of success or failure also does not matter. Entrepreneurs are the people who have the courage to offer and to share an idea or a product or a service with the world. They try to make market a better place where the needs of consumers can be satisfied.

Entrepreneurship is a process to willingly design, launch, develop, organise and run a new business venture along with its risk to make a profit and held in the growth of the economy. Entrepreneurship is described under both established firms and new businesses which have the ability to translate inventions or technologies into products and services. An entrepreneur is a person who creates a new business by identifying and collecting the required resources, by facing the risk and uncertainty for the purpose of achieving the desired profit and growth.

The study of entrepreneurship reaches back to the work in the late 17th and early 18th centuries of Irish-French economist Richard Cantillon. He was foundational to classical economics. Cantillon defined the term first in his Essay on the Nature of Trade in General. Cantillon defined the term as a person who pays a certain price for a product and resells it at an uncertain price, "making decisions about obtaining and using the resources while consequently admitting the risk of enterprise". Cantillon considered the entrepreneur to be a risk taker who deliberately allocates resources to exploit opportunities to maximize the financial return. Cantillon emphasized the willingness of the entrepreneur to assume the risk and to deal with uncertainty, thus he drew attention to the function of the entrepreneur and distinguished between the function of the entrepreneur and the owner who provided the money.

1.1.2 HISTORY

In the early 16th century the term 'Entrepreneur' was used by Frenchman to denote men leading in military expeditions. Around 1700 A.D. the term was used in France for contractors or architects. By the early 18th century the term was applied to Business and Economic activities by the French Economist Richard Cantillon, (Cantillon). In 1848, the famous economist John Sturt Mill described 'Entrepreneurship' as the founding of a Private enterprise. As far as India is concerned, several factors are responsible for the slow growth of entrepreneurship in pre independent India. At the time of independence, the industrial base of our economy was very poor. The industries were facing many difficulties, like shortage of raw materials,

shortage of capital, marketing problems etc. However, the Indian Government is considerably enhancing the ease of doing business.

Entrepreneurship is defined as the process of starting a business. Today, entrepreneurs are romanticized as being the cornerstones of a successful capitalist economy. But where did entrepreneurship begin? Who were the first entrepreneurs? In a global economy dominated by big businesses, what does the future hold for entrepreneurship? Today, we're going to tell you everything you need to know about the history of entrepreneurship.

1. **Earliest period** – An early example of the earliest definition of an entrepreneur as a go-between is Marco Polo, who attempted to establish trade routes to the Far East. As a go-between, Marco Polo would sign a contract with a money person (forerunner of today's venture capitalist) to sell his goods. A common contract during this time provided a loan to the merchant–adventurer at a 22.5 percent rate, including insurance. While the capitalist was a passive risk bearer, the merchant–adventurer took the active role in trading, bearing all the physical and emotional risks
2. **Middle Ages** - In the Middle Ages, the term entrepreneur was used to describe both an actor and a person who managed large production projects. A typical entrepreneur in the Middle Ages was the cleric—the person in charge of great architectural works, such as castles and fortifications, public buildings, abbeys, and cathedrals.
3. **17th Century** – Richard Cantillon, a noted economist and author in the 1700s, Cantillon developed one of the early theories of the entrepreneur and is regarded by some as the founder of the term. He viewed the entrepreneur as a risk taker, observing that merchants, farmers, craftsmen, and other sole proprietors “buy at a certain price and sell at an uncertain price, therefore operating at a risk.” One entrepreneur in this period was John Law, a Frenchman, who was allowed to establish a royal bank. The bank eventually evolved into an exclusive franchise to form a trading company in the New World – the Mississippi Company. Unfortunately, this monopoly on French trade led to Law's downfall when he attempted to push the company's stock price higher than the value of its assets, leading to the collapse of the company.
4. **18th Century** – In the 18th century, the person with capital was differentiated from the one who needed capital. In other words, the entrepreneur was distinguished from the capital provider (the present-day venture capitalist). One reason for this differentiation was the industrialization occurring throughout the world. Many of the inventions developed during this time were reactions to the changing world, as was the case with the inventions of Eli Whitney and Thomas Edison. Both Whitney and Edison were developing new technologies and were unable to finance their inventions themselves. Whereas Whitney financed his cotton gin with expropriated British crown property, Edison raised capital from private sources to

develop and experiment in the fields of electricity and chemistry. Both Edison and Whitney were capital users (entrepreneurs), not providers (venture capitalists). A venture capitalist is a professional money manager who makes risk investments from a pool of equity capital to obtain a high rate of return on the investments.

5. **19th and 20th Century** - In the late 19th and early 20th centuries, entrepreneurs were frequently not distinguished from managers and were viewed mostly from an economic perspective. Andrew Carnegie is one of the best examples of this definition. Carnegie invented nothing, but rather adapted and developed new technology in the creation of products to achieve economic vitality. Carnegie, who descended from a poor Scottish family, made the American steel industry one of the wonders of the industrial world, primarily through his unrelenting competitiveness rather than his inventiveness or creativity. In the middle of the 20th century, the notion of an entrepreneur as an innovator was established. The function of the entrepreneur is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological method of producing a new commodity or producing an old one in a new way, opening a new source of supply of materials or a new outlet for products, by organizing a new industry. The concept of innovation and newness is an integral part of entrepreneurship in this definition. Indeed, innovation, the act of introducing something new, is one of the most difficult tasks for the entrepreneur. It takes not only the ability to create and conceptualize but also the ability to understand all the forces at work in the environment. This ability to innovate can be observed throughout history, from the Egyptians who designed and built great pyramids out of stone blocks weighing many tons each, to the Apollo lunar module, to laser surgery, to wireless communication.

1.1.3 DEFINITIONS OF ENTREPRENEUR

- 1) According to Oxford Dictionary an entrepreneur is “A person who sets up a business or businesses, taking on financial risks in the hope of profit”
- 2) According to the International Encyclopedia, an entrepreneur is “An individual who bears the risk of operating a business in the face of uncertainty about the future conditions”.
- 3) According to Schumpeter’s an entrepreneur is “The entrepreneur, in an advanced economy is an individual who introduces something new in the economy – a method of production not yet tested by experience in the branch of manufacturing, a product with which consumers are not yet familiar, a new source of raw material or of new markets and the like”.
- 4) According to Adam Smith’s an entrepreneur is “The entrepreneur is an individual, who forms an organization for commercial purpose. She/he is proprietary capitalist, a supplier of capital and at the same

time a manager who intervenes between the labour and the consumer”. “Entrepreneur is an employer, master, merchant but explicitly considered as a capitalist”

- 5) According to Peter F. Drucker’s an entrepreneur is “An entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or different service”.

1.2 ENTREPRENEURSHIP

The meaning of entrepreneurship involves an entrepreneur who takes action to make a change in the world. Whether startup entrepreneurs solve a problem that many struggle with each day, bring people together in a way no one has before, or build something revolutionary that advances society, they all have one thing in common action.

It’s not some idea that’s stuck in your head. Entrepreneurs take the idea and execute it. Entrepreneurship is about execution of ideas.

Entrepreneurship is a complex term that’s often defined simply as running your own business. But there’s a difference between a “business owner” and an “entrepreneur,” and although one can be both, what distinguished entrepreneurship is a person’s attitude.

Entrepreneurship is a full time job which requires dedication and hard work. Entrepreneurs are innovators. They are owners, producers, market creators, decision takers and risk takers. Entrepreneurs are referred to as fourth ‘Factor of Production’ along with the other factors such as land, labour and capital. They generate employment opportunities so they are the backbone of nation’s economic progress. They play a very important role in the development of any country.

1.2.1 FACTORS AFFECTING ENTREPRENEURIAL GROWTH

A) Economic Factors

B) Non-Economic Factors

A) ECONOMIC FACTORS

1. **Capital** – Capital is one of the most important factors of production for the establishment of an enterprise. Increase in capital investment in viable projects results in increase in profits which help in accelerating the process of capital formation. Entrepreneurship activity too gets a boost with the easy availability of funds for investment. Availability of capital facilitates for the entrepreneur to bring together the land of one, machine of another and raw material of yet another to combine them to produce goods. Capital is therefore, regarded as lubricant to the process of production. France and Russia exemplify how the lack of capital for industrial pursuits

impeded the process of entrepreneurship and an adequate supply of capital promoted it.

2. **Labour** – Easy availability of right type of workers also effect entrepreneurship. The quality rather than quantity of labour influences the emergence and growth of entrepreneurship. The problem of labour immobility can be solved by providing infrastructural facilities including efficient transportation. The quality rather quantity of labour is another factor which influences the emergence of entrepreneurship. Most less developed countries are labour rich nations owing to a dense and even increasing population. But entrepreneurship is encouraged if there is a mobile and flexible labour force. And, the potential advantages of low-cost labour are regulated by the deleterious effects of labour immobility. The considerations of economic and emotional security inhibit labour mobility. Entrepreneurs, therefore, often find difficulty to secure sufficient labour.
3. **Raw Materials** - The necessity of raw materials hardly needs any emphasis for establishing any industrial activity and its influence in the emergence of entrepreneurship. In the absence of raw materials, neither any enterprise can be established nor can an entrepreneur be emerged. It is one of the basic ingredients required for production. Shortage of raw material can adversely affect entrepreneurial environment. Without adequate supply of raw materials no industry can function properly and emergence of entrepreneurship to is adversely affected. In fact, the supply of raw materials is not influenced by themselves but becomes influential depending upon other opportunity conditions. The more favourable these conditions are, the more likely is the raw material to have its influence of entrepreneurial emergence.
4. **Market** – The role and importance of market and marketing is very important for the growth of entrepreneurship. In modern competitive world no entrepreneur can think of surviving in the absence of latest knowledge about market and various marketing techniques. The fact remains that the potential of the market constitutes the major determinant of probable rewards from entrepreneurial function. Frankly speaking, if the proof of pudding lies in eating, the proof of all production lies in consumption, i.e., marketing. The size and composition of market both influence entrepreneurship in their own ways. Practically, monopoly in a particular product in a market becomes more influential for entrepreneurship than a competitive market. However, the disadvantage of a competitive market can be cancelled to some extent by improvement in transportation system facilitating the movement of raw material and finished goods, and increasing the demand for producer goods.
5. **Infrastructure** - Expansion of entrepreneurship presupposes properly developed communication and transportation facilities. It not only helps to enlarge the market, but expand the horizons of

business too. Take for instance, the establishment of post and telegraph system and construction of roads and highways in India. It helped considerable entrepreneurial activities which took place in the 1850s. Apart from the above factors, institutions like trade/business associations, business schools, libraries, etc. also make valuable contribution towards promoting and sustaining entrepreneurship' in the economy. You can gather all the information you want from these bodies. They also act as a forum for communication and joint action.

B) NON-ECONOMIC FACTORS

1. **Education** – Education enables one to understand the outside world and equips him with the basic knowledge and skills to deal with day-to-day problems. In any society, the system of education has a significant role to play in inculcating entrepreneurial values. In India, the system of education prior to the 20th century was based on religion. In this rigid system, critical and questioning attitudes towards society were discouraged. The caste system and the resultant occupational structure were reinforced by such education. It promoted the idea that business is not a respectable occupation. Later, when the British came to our country, they introduced an education system, just to produce clerks and accountants for the East India Company, the base of such a system, as you can well see, is very anti-entrepreneurial. Our educational methods have not changed much even today. The emphasis is still on preparing students for standard jobs, rather than making them capable enough to stand on their feet.
2. **Attitude of the Society** – A related aspect to these is the attitude of the society towards entrepreneurship. Certain societies encourage innovations and novelties, and thus approve entrepreneurs' actions and rewards like profits. Certain others do not tolerate changes and in such circumstances, entrepreneurship cannot take root and grow. Similarly, some societies have an inherent dislike for any money-making activity. It is said, that in Russia, in the nineteenth century, the upper classes did not like entrepreneurs. For them, cultivating the land meant a good life. They believed that land belongs to God and the produce of the land was nothing but God's blessing. Russian folk-tales, proverbs and songs during this period carried the message that making wealth through business was not right.
3. **Cultural Value** - Motives impel men to action. Entrepreneurial growth requires proper motives like profit-making, acquisition of prestige and attainment of social status. Ambitious and talented men would take risks and innovate if these motives are strong. The strength of these motives depends upon the culture of the society. If the culture is economically or monetarily oriented, entrepreneurship would be applauded and praised; wealth accumulation as a way of life would be appreciated. In the less developed countries, people are not economically motivated. Monetary incentives have relatively

less attraction. People have ample opportunities of attaining social distinction by non-economic pursuits. Men with organizational abilities are, therefore, not dragged into business. They use their talents for non-economic end.

4. **Legal Environment** - The legal environment affects the business very substantially. If suitable legal arrangements do not exist for safeguarding the interests and powers of the entrepreneurs, businessman and other parties related to the business, no one will like to carry out any significant business.
5. **International Environment** - The international environment also affects the system. Presently, the waves of globalization and liberalization are flowing throughout the world. The international environment includes various factors, like mutual relations between various nations, economic policies of the various national, availability of foreign capital, level of international competition, business activities of multinational companies, conditions of international peace, rules of international trade, etc. The business institutions should manage and operate business activities, considering these factors.

1.2.2 TYPES OF ENTREPRENEURS

1. **Innovative Entrepreneurs** – Innovative entrepreneurs are those who introduce new products, new methods of production techniques or discovers a new market or new services etc. they are commonly found in developed countries. They are aggressive in nature and they always try to make the idea successful one.
2. **Imitative Entrepreneurs** – This type of entrepreneurs always tries to copy the innovations made by innovative entrepreneurs. They are organizers of factors of production rather than creators. They contribute to the under developed countries. They are adaptive and more flexible.
3. **Fabian Entrepreneurs** – Fabian Entrepreneurs are very shy a lazy. They are very cautious. They do not venture or take risk. They are rigid and fundamental in their approach. they follow the footsteps of their predecessors.
4. **Drone Entrepreneurs** – This type of entrepreneur is conventional in their approach. They refuse to copy or use opportunities that come their way. They are not ready to make changes in their existing production methods even if they suffer losses. They resist changes.
5. **Business Entrepreneurs** – Business entrepreneurs are those who develop an idea for a new product or service and then establishes an enterprise to produce products according to their ideas. Most of the entrepreneurs belongs to this category.

6. **Trading Entrepreneurs** – They undertake trading activities whether domestic or foreign trade. They have to identify the potential market for his products in order to stimulate the demand of products. They use many techniques to promote trading.
7. **Industrial Entrepreneurs** – They essentially manufacture products and offer services, which have an effective demand in the market. They have the ability to convert economic resources and technology into a profitable venture.
8. **Corporate Entrepreneurs** – They are those who through their innovative ideas and skill able to organize, manage and control a corporate undertaking very effectively and efficiently. Usually, they are promoters of the undertaking / corporations, engaged in business, trade or industry.
9. **Agricultural Entrepreneurs** – Those who undertake agricultural as well as allied activities in the field of agriculture is known as agricultural Entrepreneurs. They engage in raising and marketing of crops, fertilisers and other inputs of agriculture through employment of modern techniques, machines and irrigation.
10. **Technical Entrepreneurs** – The Entrepreneurs who are technical by nature in the sense of having the capability of developing new and improved quality of goods and services out of their own knowledge, skill and specialization are called technical Entrepreneurs. They concentrate more on production than marketing.
11. **Non-Technical Entrepreneurs** – Non-Technical Entrepreneurs are those who mainly concerned with developing alternative marketing and distribution strategies to promote their business. They are not concerned with the technical aspect of the product and services they are dealing with.
12. **Professional Entrepreneurs** – They make their profession to establish business enterprise with a purpose, to sell them once they are established. He or she is always looking forward to develop alternative projects by selling the running business. He is not interested in managing operations of the business established by him. He or she is very dynamic.
13. **Spontaneous Entrepreneurs** – They are otherwise known as pure Entrepreneurs, who are motivated by their desire for self – fulfilment and to achieve or prove their excellence in job performance. They undertake entrepreneurial activities for their personal satisfaction in work, ego, or status. Their strength lies in their creative abilities. They are the natural Entrepreneurs in any society.
14. **Induced Entrepreneurs** – They enter into entrepreneurship because of various governmental supports provided in terms of financial assistance, incentives, concessions, and other facilities to the peoples who want to setup of their Enterprises.

15. **Motivated Entrepreneurs** – They are motivated by their desire to make use of their technical and professional expertise and skill in performing the job or project they have taken up. They have enough confidence in their abilities. they are highly ambitious and are normally not satisfied by the slow progress in their jobs.

1.2.3 REQUIREMENTS OF ENTREPRENEURIAL STRUCTURE

1. **Encourage Efficiency** - The main objective of an entrepreneurial structure is to infuse efficiency in various functions. A systematic structure will not leave anything to chance and every activity is coordinated to perform to its maximum. The organizational members try to maximize the output of goods and services from the given inputs. There is an effort to have systematic, rational and coordinated effort to control various waste and loss.
2. **Communication** - Communication is the number one problem of every organization. A good structure provides proper communication channel among persons working in the organization. A reporting relationship is established and a hierarchy of who reports to whom is also specified in a good structure. There is a need for horizontal, vertical and lateral communication process and it is done by a well planned structure.
3. **Optimum Use of Resources** - The proper allocation of resources helps in their optimum utilization also. The organization structure gives higher place to activities which are more important to the achievement of organizational objectives. The activities are placed according to their importance in the structure and proper guidelines are given for resource allocation. The optimum allocation of resources is important for the growth of a business.
4. **Facilitates Management** - There are a number of persons working in a business. Their work will have to be specified and duties will be assigned as per the requirements of the organization. A good structure will help in establishing relationship among persons working at different positions. An organization structure is a mechanism through which management directs co-ordinates and controls the activities of various persons. A well designed structure will help both management and operation of a business. It is ensured that no activity remains unattended and work is assigned as per the capacity of the persons undertaking it. A well thought organization structure is a great help for good administration.
5. **Simple and Flexible** - Organizational structure should be very simple. There should not be unnecessary levels of management. A good structure should avoid ambiguity and confusion. The system should also be flexible to adjust according to the changing needs. There may be an expansion or diversification which required reclassification of duties and responsibilities. The organization structure should be able to incorporate new changes without altering the basic elements.

1.3 ENTREPRENEURIAL CULTURE

“An entrepreneurial culture consists of a group of individuals who have suppressed individual interests in an effort to achieve group success because group success will advance their individual interests.” An Entrepreneurial Organizational Culture (EOC) is a system of shared values, beliefs and norms of members of an organization, including valuing creativity and tolerance of creative people, believing that innovating and seizing market opportunities are appropriate behaviours to deal with problems of survival and prosperity, environmental uncertainty and competitors' threats and expecting organizational members to behave accordingly.

The different definitions clearly show culture to be always a collective phenomenon. Culture is learnt consciously and unconsciously. It should therefore be distinguished from human nature, on the one hand, and from the individual personality, on the other. Cultural features are passed on in socialization processes. That is why culture cannot be changed in the short term: it has a long-term character. Cultural features influence attitudes towards start-ups and vice versa. Entrepreneurial culture can be described as an environment where someone is motivated to innovate, create and take risks. In a business, an entrepreneurial culture means that employees are encouraged to brainstorm new ideas or products. When work time is dedicated to these activities, it is called entrepreneurship.

1.3.1 ELEMENTS OF ENTREPRENEURIAL CULTURE

1. **People and empowerment focused** – Entrepreneur culture are groups of individuals who have make and work for the development of the group. They are focused on the building of power and empowerment of the members of the group. Because an organisation, society or a country develops when the entrepreneurs develop.
2. **Value creation through innovation and change** – The new generation demands and wants new requirements. And the entrepreneurial culture works towards value creation through innovation and change. Innovative changes and creations are important for the new generation.
3. **Attention at the basics** – Entrepreneurial culture works for the development of individuals, with the development of the group. It is necessary for them to keep their full concentration on the basics in the world of business. Because it is said that an organisation develops only when their basics are strong.
4. **Hand-on-management** – A good entrepreneur should have great managerial skill to run a successful organisation. An organisation is going to develop only when all the departments of the organisation is managed properly. It is important for the entrepreneurial culture should aim towards having those managers who are good and management and can take quick decisions.

5. **Doing the right thing** – A good entrepreneur culture is achieved if there are proper ethical practices. An entrepreneurial culture should not only aim towards the development of their entrepreneurs, but they should always promote the entrepreneurs to do the right thing.

1.3.2 STEPS TO CHANGE ENTREPRENEURIAL CULTURE

1. **Hire Aspiring Entrepreneurs**

It's no coincidence that aspiring entrepreneurs are attracted to the startup environment. These types are eager to gain experience and tend to see opportunities in markets or the industry where others don't. Bring them in, and empower them to flex their entrepreneurial muscles within your organization.

2. **Make Employees Feel Like Partners**

Give everyone in your company equity, and motivate them to view your company as their company. You really need to believe that everyone at your company is your partner and treat them that way.

3. **Empower and Encourage Employees**

Empower your employees with more responsibilities, and encourage them to make decisions on their own. Encourage creativity, reward your employees when they make good business decisions and use their mistakes as learning opportunities.

4. **Be Open to Micro-failures**

I try to create an environment in which employees know that I am open to micro-failures in the macro-pursuit of success. If people are afraid to take risks, then we aren't going to grow as quickly or smartly as possible. But people don't always believe that making mistakes is OK. I strive to give them proof that it is, so they can let go of any fears and try new ways of getting the job done.

5. **Give Incentives to Employees**

What's in it for them? If they're proactive, go the extra mile and really impact your company positively -- what do they get out of it? Incentives can include raises, bonuses (time off, a paid holiday, etc.), stock options, promotions and even public recognition of one's efforts.

6. **Lead by Example**

You need to lead by example, take a few risks, and then let those ideas materialize. In some cases, your risks will fail; you need to show your team that failure is OK. They should embrace it, fail fast and get back on it. The only way your employees will feel like taking risks is if they know that failing will not be looked at in a bad light. Just make sure each failure only happens once.

7. **Give Employees a Voice**

By giving employees voices, listening to their ideas and implementing them, you can encourage a culture of "intrapreneurs."

Seeing that they are an integral part of the company -- whether it's saving money by using a different vendor or creating a new process to streamline production -- will give them pride in the company.

8. Make It Safe to Share Ideas

Create a culture where new ideas are welcomed and not shut down. You want every employee to feel like she can make a difference with her idea rather than depend on the founder or management team for the next big idea. Encourage your team to share often and openly to encourage intrapreneurship.

9. Give Employees Ownership

To create a culture of intrapreneurs, you have to give employees ownership of projects and follow their recommendations. We encourage an entrepreneurial mindset by having employees take turns being "Sensei" and leading a professional development training session. Additionally, every employee is expected to take a project from start to finish every quarter.

10. Ask Them for Their Recommendation

Nearly all employees can present information; rock stars will prepare a recommendation. When team members bring back information, ask them, "What do you think?" You'll create a culture of thinking beyond the current step toward next steps and implications. It's the first step toward creating intrapreneurs.

11. Create a Startup Culture

If you want to have intrapreneurs in your organization, you need to foster an atmosphere of entrepreneurship. This can be done through articles you share with the team, weekly meetings and, most importantly, mentorship. Creating a library of books about entrepreneurship helps as well. If you create and promote the culture, the entrepreneurial spirit within your employees will be empowered.

12. Make Hires Draw an Owl

There is a great Internet meme that we use as a hiring philosophy called "How to Draw an Owl." Step one: Draw two circles. Step two: Draw the rest of the owl. We need people who can self-direct and get things done, even if it isn't the way we'd ideally do it. Drawing owls is a microcosm of the "intrapreneur" culture we want to foster.

1.3.3 ENTREPRENEURIAL V/S ADMINISTRATOR

ENTREPRENEURIAL ADMINISTRATOR

An entrepreneur launching a business venture accepts the reality that the company may not succeed and he may lose the money he invested in it. An administrator within a corporation is not an owner of the company, so its potential failure only affects him to the extent that he may lose his job.

An entrepreneur is often motivated by the desire to be his own boss and not have to answer to anyone but himself. He enjoys the freedom of being able to make all the key decisions about how to operate the company. An administrator has a narrower scope of authority, confined to his functional area. He works as part of a team and accepts direction from those above him in the organization.

An entrepreneur has a better chance of success if he has an understanding of, and competency with, all of the functional areas of his business -- including marketing, finance, production, and personnel. An administrator can be more narrowly focused. For instance, a controller within a large company does not necessarily need extensive knowledge about advertising strategies.

An administrator works in an environment with detailed policies and procedures in place. An administrator might view this as a chaotic environment.

An entrepreneur must have a vision of how he wants to build the company. An administrator is not charged with creating the vision for the enterprise.

An entrepreneur seeks the feeling of accomplishment that comes from building something from the start-up stage. An administrator gets satisfaction from the success of the group -- the company as a whole -- and his contributions to that success.

An entrepreneur's status comes from being part of the select class called business owners. As the company grows and gains recognition in its market, the entrepreneur's status grows as well. An administrator's sense of status comes from such things as an expanded job title, being given increased responsibilities, or receiving a bonus based on superior performance.

1.4 THEORIES OF ENTREPRENEURSHIP

1) Schumpeter Dynamic Entrepreneurship Innovation Theory

The innovative theory is one of the most famous theories of entrepreneurship used all around the world. The theory was advanced by one famous scholar, Schumpeter, in 1991.

Schumpeter believes that creativity or innovation is the key factor in any entrepreneur's field of specialization. He argued that knowledge can only go a long way in helping an entrepreneur to become successful. He believed development as consisting of a process which involved reformation on various equipment's of productions, outputs, marketing and industrial organizations.

However, Schumpeter viewed innovation along with knowledge as the main catalysts of successful entrepreneurship. He believed that

creativity was necessary if an entrepreneur was to accumulate a lot of profits in a heavily competitive market.

The concept of innovation and its corollary development embraces five functions:

1. Introduction of a new good
2. Introduction of a new method of production
3. Opening of a new market
4. Conquest of a new source of supply of raw materials and
5. Carrying out of a new organization of any industry

Schumpeter represents a synthesis of different notions of entrepreneurship. His concept of innovation included elements of risk taking, superintendence and co-ordination.

In practice, new combination theory covers five cases which are given below:

- (i) The introduction of a new good which consumers, are not yet familiar—or of a new quality of a good.
- (ii) The introduction of a new method of production, that one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially.
- (iii) The opening of a new market i.e. a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.
- (iv) The conquest of a new source of supply of raw materials or half manufactured goods, irrespective of whether this source already exists or whether it has first to be created.
- (v) The carrying out of the new organisation of any industry like the creation of a monopoly position (for example, through trustification) or the breaking up of a monopoly position.

According to Schumpeter

- Development is not an automatic process, but must be deliberately and actively promoted by some agency within the system. Schumpeter called the agent who initiates the above as entrepreneur
- He is the agent who provides economic leadership that changes the initial conditions of the economy and causes discontinuous dynamic changes
- By nature he is neither technician, nor a financier but he is considered an innovator
- Entrepreneurship is not a profession or a permanent occupation and therefore, it cannot formulate a social class like capitalist
- Psychological, entrepreneurs are not solely motivated by profit

Features of Schumpeter Theory

- 1) High degree of risk and uncertainty in Schumpeterian World
- 2) Highly motivated and talented individual
- 3) Profit is merely an part of objectives of entrepreneurs
- 4) Progress under capitalism is much slower than actually it is
- 5) It is leadership rather than ownership which matters.

Many business people support this theory, and hence its popularity over other theories of entrepreneurship.

However, Schumpeter's theory suffers from following limitations:

- (i) It excludes individuals who merely operate an established business without performing innovative functions.
- (ii) Innovating entrepreneur represents the most vigorous type of enterprise. However, this type of entrepreneur is rarely available in developing countries like India.
- (iii) It laid too much emphasis on innovative functions. But it ignores the risk taking and organising aspects of entrepreneurship.
- (iv) It assumes an entrepreneur as a large scale business man. He is a person who creates something new. But in practice, an entrepreneur cannot have large scale operations from the very beginning,
- (v) It fails to provide a suitable answer to question like— why some countries had more entrepreneurial talent than others?

According to Schumpeter, entrepreneurs are not a class in themselves like capitalists and workers. An individual is an entrepreneur only when he actually carries out new combinations and ceases to be an entrepreneur the moment he settles down to running the established business.

According to Schumpeter, an entrepreneur exists only if the factors of production are combined for the first time. Maintenance of a combination is not an entrepreneurial activity. In this way, combination theory differs from the theory of rent formulated by Ricardo. Ricardo included the term "entrepreneurial ability" as an independent factor of production and it is concerned with profit. Thus, this theory fails to provide suitable solutions to the problems.

2) Theory of High Achievement by McClelland

McClelland's theory of needs is one such theory that explains this process of motivation by breaking down what and how needs are and how they have to be approached. David McClelland was an American Psychologist who developed his theory of needs or Achievement Theory of Motivation which revolves around three important aspects, namely, Achievement, Power, And Affiliation.

This theory was developed in the 1960s and McClelland points out that regardless of our age, sex, race, or culture, all of us possess one of these needs and are driven by it. This theory is also known as the

Acquired Needs as McClelland put forth that the specific needs of an individual are acquired and shaped over time through the experiences he has had in life.

Psychologist David McClelland advocated the Need theory, also popular as Three Needs Theory. This motivational theory states that the needs for achievement, power, and affiliation significantly influence the behavior of an individual, which is useful to understand from a managerial context.

This theory can be considered an extension of Maslow's hierarchy of needs. Per McClelland, every individual has these three types of motivational needs irrespective of their demography, culture, or wealth. These motivation types are driven by real-life experiences and the views of their ethos.

McClelland identified two characteristics of entrepreneurship. First doing things in a new and better way. Secondly, decision making under uncertainty.

This motive is called as the tendency to strive for success in situations involving an evaluation of one's performance in relation to some standard of excellence. People having high need for achievement are more likely to succeed as entrepreneurs.

According to McClelland, individuals with high need achievement will not be motivated by monetary incentives but that monetary rewards will constitute a symbol of achievement for them. Similarly, they are also not interested much for social recognition or prestige but their ultimate goal is personal accomplishment. That is why McClelland suggests that in order to raise the level of achievement motivation, parents should set high standards for their children.

1. Need For Achievement

The need for achievement as the name itself suggests is the urge to achieve something in what you do. If you are a lawyer it is the need to win cases and be recognized, if you are a painter it is the need to paint a famous painting.

It is the need that drives a person to work and even struggle for the objective that he wants to achieve. People who possess high achievement needs are people who always work to excel by particularly avoiding low reward low-risk situations and difficult to achieve high-risk situations.

2. Need For Power

The need for power is the desire within a person to hold control and authority over another person and influence and change their decision in accordance with his own needs or desires. The need to enhance their self-esteem and reputation drives these people and they desire their views and ideas to be

accepted and implemented over the views and ideas over others.

These people are strong leaders and can be best suited to leading positions. They either belong to Personal or Institutional power motivator groups. If they are a personal power motivator they would have the need to control others and an institutional power motivator seeks to lead and coordinate a team towards an end.

3. Need For Affiliation

The need for affiliation is the urge of a person to have interpersonal and social relationships with others or a particular set of people. They seek to work in groups by creating friendly and lasting relationships and have the urge to be liked by others. They tend to like collaborating with others to competing with them and usually avoids high-risk situations and uncertainty

The individuals motivated by the need for affiliation prefer being part of a group. They like spending their time socializing and maintaining relationships and possess a strong desire to be loved and accepted. These individuals stick to basics and play by the books without feeling a need to change things, primarily due to a fear of being rejected.

4. Using the Theory

McClelland's theory can be applied to manage the corporate teams by being identifying and categorizing every team member amongst the three needs. Knowing their attributes may certainly help to manage their expectations and running the team smoothly.

3) Theory of Personal Resourcefulness

According to this theory, the root of entrepreneurial process can be traced to the initiative taken by some individuals to go beyond the existing way of life. The emphasis is on initiative rather than reaction, although events in the environment may have provided the trigger for the person to express initiative. This aspect seems to have been subsumed within 'innovation' which has been studied more as the 'change' or 'newness' associated with the term rather 'pro-activeness'.

1.5 SUMMARY

Entrepreneurship means the willingness of an individual to start a new business venture by taking risk and managing it in this technology enabled competitive global environment.

The word entrepreneur has an interesting definitional history and it stems from the French word “entreprendre” which refers to undertake.

The study of entrepreneurship reaches back to the work in the late 17th and early 18th centuries of Irish-French economist Richard Cantillon. He was foundational to classical economics. Cantillon defined the term first in his Essay on the Nature of Trade in General. Cantillon defined the term as a person who pays a certain price for a product and resells it at an uncertain price, "making decisions about obtaining and using the resources while consequently admitting the risk of enterprise". Cantillon considered the entrepreneur to be a risk taker who deliberately allocates resources to exploit opportunities to maximize the financial return. Cantillon emphasized the willingness of the entrepreneur to assume the risk and to deal with uncertainty, thus he drew attention to the function of the entrepreneur and distinguished between the function of the entrepreneur and the owner who provided the money.

Entrepreneurship is a complex term that's often defined simply as running your own business. But there's a difference between a “business owner” and an “entrepreneur,” and although one can be both, what distinguished entrepreneurship is a person's attitude.

An entrepreneurial culture consists of a group of individuals who have suppressed individual interests in an effort to achieve group success because group success will advance their individual interests."

Organizational structures, and the way those structures are visually represented in charts and diagrams, are important because they help sort out three key aspects of business operations: specific job duties, reporting relationships, and decision-making authority.

Entrepreneurial Training Programme offer a comprehensive combination of courses to help young entrepreneurs develop their business ideas and self-confidence. These training courses are available to start-up ventures or those who want to expand their businesses. The Entrepreneurial Training Programme offers great resources to help you develop a solid business and learn what it takes to build a thriving business.

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

According to the American Heritage Dictionary, “Intrapreneur is a person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation.”

Innovation Theory – The innovation theory of profit was proposed by Joseph. A. Schumpeter, who believed that an entrepreneur could earn economic profits by introducing successful innovations.

Need for Achievement Theory – McClelland emphasizes achievement orientation as most important factor for entrepreneurs. Individuals with high, achievement orientation are not influenced by considerations of money or any other external incentives. People with high achievement. The latter types are prepared to work harder for money or such other external incentives. On the contrary, profit is merely a measure of success and competency for people with high achievement need.

1.6 EXERCISE

Fill in the blanks

- 1) According to Schumpeter, innovative entrepreneurs would
 - a) Thrive in the market
 - b) Not survive and disappear from the market.
 - c) Get absorbed within larger innovation businesses.
 - d) Get absorbed within non-innovative businesses.
- 2) Who should be involved in preparing a firm's business plan?
 - a) Accountant
 - b) Engineer
 - c) Entrepreneur
 - d) None of the above
- 3) Entrepreneurship Development Program is helpful for:
 - a) First-generation entrepreneurs
 - b) Future generation entrepreneurs
 - c) Existing Entrepreneurs
 - d) None of the above
- 4) Which of these is not a type of entrepreneurship?
 - a) Small business entrepreneurship
 - b) Scalable entrepreneurship
 - c) Large scale entrepreneurship
 - d) Intrapreneurship
- 5) 'Entreprendre' means to _____.
 - a) Undertake
 - b) Enterprise
 - c) Businessman
 - d) None of the above

True or False

- 1) Entrepreneurship can be learned by anyone, its not something that can simply learn in a classroom.
- 2) Successful entrepreneurs often exhibit a strong need for status, money and power.
- 3) Entrepreneurs personally compete against others with self-imposed standards that are realistic and challenging.
- 4) An entrepreneur should not be ready to work hard.
- 5) Entrepreneurship is a full time job which requires dedication and hard work.

Short Notes

- 1) Qualities of Entrepreneurship
- 2) Types of Entrepreneurs.
- 3) Elements of Entrepreneurial culture
- 4) History of Entrepreneurs
- 5) Requirements of Organisational structure for Entrepreneurs.

Answer in Brief

- 1) What are different theories of entrepreneurship development? Examine critically.
- 2) Discuss the main theories of entrepreneurship.
- 3) “An entrepreneur is a person who creates an ongoing business enterprise from nothing.” Explain. Describe the main functions of an entrepreneur.
- 4) Define Entrepreneurship. Discuss its characteristics.
- 5) Explain the Importance and significance of Entrepreneurship.

CREATING ENTREPRENEURIAL VENTURE - I

Unit Structure

- 2.0 Objective
- 2.1 Introduction
- 2.2 Entrepreneurial Environment
- 2.3 Financial Analysis of Entrepreneurship Venture
- 2.4 Summary
- 2.5 Exercise

2.0. OBJECTIVES

After studying this unit the student will be able to -

- Understand the concept of entrepreneurship environment.
- Know about financial analysis of entrepreneurship venture

2.1. INTRODUCTION

Entrepreneurship is an activity that helps in overall development of an economy, through balanced growth, infrastructure development, reduction in inequality and poverty, and additional opportunities of employment development. Hence an entrepreneurial development activity sets a pathway for overall development of a country.

The development of the terms “entrepreneur “ & “Entrepreneurship” have evolved over the years. It was initially connected with ‘Marco Polo’ the merchant adventurer. In the middle ages (476-1450AD) the term was used for a person who managed large production projects, but did not assume risk. Later by 17th century risk got associated with entrepreneurship. By the end of 18th century, the entrepreneurship and entrepreneur was regarded as capital provider. In the 19th century entrepreneurs were considered as leaders/managers and by the 20th century he has been called as innovator, by Joseph Schumpeter, which again was referred as “facilitator of economic and social development.”

Entrepreneurial ventures provide independence, autonomy to entrepreneurs. Entrepreneurship enables them to be their own masters. They get an opportunity to achieve something on their own. They pursue their dreams and ambitions through their enterprises and get the pleasure of fulfillment, self-expression and self-actualization. Their vision, creativity, gets manifested through their enterprises.

They get an opportunity to stand out in the crowd and get recognition for their contribution. They get an opportunity to enjoy their work and thus are relieved of boring, unchallenging, uninteresting and unexciting work. They need not bother about stress of working under boss. It makes them free from depression and frustration arising out of dull working environment. Entrepreneurship enables them to work in lively environment where there is pleasure, enjoyment, an opportunity to exercise their ideas and explore their worth. It increases their self-esteem and builds up self-confidence.

ENTREPRENEUR & ENTREPRENEURSHIP

An entrepreneur is a person who develops a new idea and takes the risk of setting up an enterprise to produce a product/service which satisfy consumer needs. All entrepreneurs are business persons, but not all business persons are entrepreneurs. An entrepreneur acts as a catalyst of growth and development in modern world. He introduces innovative changes in the business and society. He evaluates perceived opportunities and strives to make the decision that will enable the firm to realize sustained growth.

According to Webster Dictionary –“ An entrepreneur is a person who organizes and manages a business undertaking, assuming the risk for the sake of profit.”

An entrepreneurship is innovative and risk taking activity. It is a process of creating, new and innovative product / service by assuming the risks and rewards. Entrepreneurship is different from normal production and distribution activity, as it involves innovation, creativity, risk and uncertainty.

According to “Robert Hisrich”- “ Entrepreneurship is the process of creating something new and assuming the risks and rewards”

- Entrepreneurship according to Joseph Schumpeter is concerned with:-
- Development of new technology
- Introduction of new product
- Creation of new form of organizational structure
- Development of new source of raw materials
- Entry in new market

It results in reduction and optimum utilization of resources, capital formation, employment generation, infrastructure development and also generates revenue for the Government.

2.2 ENTREPRENEURIAL ENVIRONMENT

Entrepreneurship environment refers to various facets within which enterprises- big, medium, small and others operate. Any enterprise is therefore influenced by the environment surroundings.

Entrepreneurial environment ecosystem might be viewed as a complex adaptive system that can be compared to a natural ecosystem, like a forest. This complexity theory perspective can be better understood as the nature of an entrepreneurial ecosystem. The entrepreneurial environment is the aggregation of all those external conditions and effects, which affect the life of living beings and development entrepreneurship. So There are many characteristics of entrepreneurial environment. These environment can broadly be classified as important components, which includes-

- 1) **Political Environment :** Political environment constitutes all the factors related to government affairs such as type of government in power, attitude of government towards different groups of societies, policy changes implemented by different governments etc. The political environment has immediate and great impact on the business transactions so businessman must scan this environment very carefully.
- 2) **Economical Environment:** The economic environment factors have immediate and direct impact on the businessman so businessmen must scan the economic environment and take timely actions to deal with these environments. Economic environment may put constraints and may offer opportunities to the businessman. After the new economic policy of 1991, lots of opportunities are offered to businessmen.
- 3) **Social Environment :** Social Environment consists of the customs and traditions of the society in which business is existing. It includes the standard of living, taste, preferences and education level of the people living in the society where business exists.
- 4) **Legal Environment :** Legal environment constitutes the laws and various legislations passed in the parliament. The businessman cannot overlook the legislations because he has to perform his business transactions within the framework of legal environment.
- 5) **Technology Environment :** Technological environment refers to changes taking place in the method of production, use of new equipment and machineries to improve, the quality of product. The businessman must closely monitor the technological changes taking place in his industry because he will have to implement these changes to remain in the competitive market
- 6) **Cultural Environment:** The cultural environment consists of the influence of religious, family, educational, and social systems in the marketing system. Marketers who intend to market their products overseas may be very sensitive to foreign cultures. While the differences between our cultural background in the United States and those of foreign nations may seem small, marketers who ignore these differences risk failure in implementing marketing programs. Failure to consider cultural differences is one of the primary reasons for marketing failures overseas.

2.2.1 SIGNIFICANCE OF ENTREPRENEURIAL ENVIRONMENT

- 1) **Identify Opportunities:** Entrepreneurial environment enables the firm to identify opportunities and getting the first mover advantage. Analysis of business environment helps to identify opportunities i.e., positive external changes to be exploited instead of losing them to competitors.
- 2) **Identify Threats:** It helps the firms to identify threats and early warns to take corrective measures against those treats that hinder business performance and take appropriate preventive measures on time.
- 3) **Tapping useful resources:** Any business enterprise depends on environment as a source of input like raw materials, labour etc. and as an outlet for outlet i.e., goods of services, taxes, etc. Analysis of business environment helps to get resources that it needs to convert into outputs which an environment desires.
- 4) **Giving Direction for Growth:** When a business interacts with its environment, it becomes easier to identify areas for growth and expansion of its activities. A firm can get answers to similar questions by tapping into its business environment. It gives a correct assessment of how to plan and strategise a business activity so as to achieve goals or objectives.
- 5) **Continuous Learning:** Since the environment is dynamic in nature, it constantly keeps changing. This keeps continuous learning & updating knowledge and skills. This helps an individual to prepare for predicted and unpredicted changes in the realm of business.
- 6) **Increased Productivity :** A better understanding of environment results in increased productivity, as all the resources can be arranged and used properly. Environmental factors help in proper utilization of resources as a result there is minimum wastage and increased productivity.
- 7) **Coping with rapid changes:** It helps management to become more sensitive to ever changing needs of the customers. As a result, of environmental awareness they are able to respond to such changes effectively. It helps in assisting in planning and policy formulation. Environmental scanning provides the basis for deciding future course of action (planning) and guidelines for decision making (policy).
- 8) **Improved performance:** The continuous monitoring of environment and adopting suitable business practices not only improve their present performance but also continue to succeed in the market for the period.

2.2.2 SWOC ANALYSIS

SWOC analysis is now defined as a strategic planning method used to research external and internal factors which affect company success and growth. Firms use SWOC analysis to determine the strengths, weaknesses, opportunities, and challenges of their firm, products, and competition.

A) Strengths: It refers to something in which a firm is well-versed expertise in.

Examples of organizational strengths are:

- Modern Technology
- Strong Financial condition
- Dedicated employees
- Broad product line

B) Weaknesses: Weaknesses are the qualities that prevent us from accomplishing our mission and achieving our full potential. Weaknesses are controllable. They must be minimized and eliminated.

Examples of organizational weaknesses are:

- Outdated technology
- Lack of Financial Resources
- Apathetic employees
- Narrow product range

Example - To overcome obsolete machinery, new machinery can be purchased.

C) Opportunities: Organization should recognize the opportunities and grasp them whenever they arise. Organizations can gain competitive advantage by making use of opportunities.

Opportunities may arise from:

- Government Incentives
- Less Competition
- Long credit period given by supplier

Example: Increasing demand for motor bikes as it offers convenience to working people in travelling. It is a great opportunity for new firms to enter motor bike production business and compete with existing firms.

D) Challenges: Challenges arise when conditions in external environment jeopardize (risk/endanger) the profitability of the organization's business.

Threats are uncontrollable. When a threat comes, the stability and survival can be at stake / at risk.

Examples of organizational threats are:

- Strikes by employees
- New strategy by competitor
- Changes in economic conditions
- Changes in customer preferences

2.2.3 PROBLEMS OF ENTREPRENEURSHIP

Entrepreneurial activity is not a new concept, but still being started up as individual activity, has its own limitations. Entrepreneur faces lots of problems in undertaking any activity.

- 1) **Financing:** Getting funds for any activity is one of the main issues that all businesses face and have to tackle to survive. In spite of initial money being used for starting any activity will not be sufficient for survival for long. Steady cash flow is crucial for businesses to endure, and extra funds to carry any activity ahead. A proper planning for arrangement and allocation of funds is a pre-requisite requirement for any entrepreneurial activity.
- 2) **Lack of Planning :** Much entrepreneurial activity fails to grow because of lack of initial planning. Key areas like sales, development, and funding aren't after thoughts. They need to all belong to any business plan right from the start.
- 3) **Hiring the right talent :** Any business activity to be successful requires a right amount of numbers as well as right potential. As the entire success of any activity depends upon the manpower involved. But unfortunately getting a right talent is very difficult, as the skilled people's supply is less than the demand.
- 4) **Effective marketing within a limited budget :** Being a new venture/start-up, it's essential to create visibility among consumers. But targeting customers effectively huge cost. Hence marketing the concept /product/service becomes challenge with entrepreneurs. To do an effective marketing with limited budget is what an entrepreneur finds difficult.
- 5) **Risk and uncertainty :** For first-time entrepreneurs, dealing with the uncertainties of the venture can be a tough task. The entrepreneurs can often feel ultimately responsible for the success or failure of their venture. There are also many detours and deviations from the initial plan. All of this can take a toll on the entrepreneur. The VUCA environment that most new businesses operate in should be accepted as the reality and the changes accepted without much resistance.
- 6) **Dealing with criticism :** For an entrepreneur, criticism comes as a part and parcel of the job. Every decision of the entrepreneur can be

met with criticism by the team, partners, investors, customers, and even their family. Even established entrepreneurs such as Ratan Tata must deal with this.

- 7) **Attractive Customers :** Getting customers for your product or service can be the difference between success and failure for a business. Many businesses have started with powerful ideas however could not survive simply because they failed to reach the right customers.
- 8) **Making Decisions:** Decision-making in a business situation can be difficult, especially when there are so many things that need to be considered while taking on each decision. Entrepreneurs can face a dilemma while making a decision, especially when they have limited information.
- 9) **Time Management:** Even the best entrepreneurs struggle to manage their time properly. As they take up roles out of their expertise, they can find it challenging to get things done. The challenges often pop up when the entrepreneurs have to deal with conflicting priorities
- 10) **Office Infrastructure:** Workplace rent and associated costs are the first things that start with generation & implementation of idea. Any entrepreneurial idea that is there needs to have a set up and incur cost on such set up to start

2.3 FINANCIAL ANALYSIS OF ENTREPRENEURIAL VENTURE

Financial analysis is used to evaluate economic trends, set financial policy, build long-term plans for business activity, and identify projects or companies for investment. A financial analyst will thoroughly examine a company's financial statements—the income statement, balance sheet, and cash flow statement.

Any entrepreneurial activity before execution requires financial planning to be done. It is included in Business Plan that is presented for approval. The plan includes a projected profit-and-loss statement for the next three to five years and a cash flow statement. A balance sheet is sometimes included as well as a break-even analysis. The financial plan in entrepreneurship is important, because it establishes the financial goals of the company.

2.3.1 Following are the significance of financial planning:-

- 1) **Determine Feasibility :** Any business idea that is presented for approval needs to have feasibility evaluation done and once the feasibility report is attached then only the business idea gets approval. Financial analysis is an effective way of determining the feasibility of any business venture.
- 2) **Variance Analysis :** Financial analysis helps in finding out the variance in any venture, by comparing actual performance with

expected performance. There by enabling to take corrective measures in time. One of the biggest points of importance for entrepreneurial finance is monitoring the actual results against the line-item budget in the financial plan to give you the opportunity to take whatever steps are necessary to get back on track. For example, if you're not reaching the projected revenue, either the projections are wrong or the marketing program is not as effective as you thought.

- 3) **Forecasting Financial Requirements:** Financial Analysis enables the entrepreneur to have an estimated financial requirement that is required in future. As a result of which entrepreneurs can do a perfect planning with respect to future activity and maintained financial health.
- 4) **Obtaining Fund:** Investors and lenders request to see the entrepreneur's business plan, including the financial plan with projections and assumptions behind the forecast. If the financial plan is unrealistic, a common mistake with entrepreneurs, the loan or investment will not be forthcoming. Hence financial analysis will be taken into consideration before granting any amount of financial support.
- 5) **Cash Flow Shortages:** Financial analysis also helps an entrepreneur to overcome any kind of cash flow shortages. Any venture despite of accurate forecast suffers from this problem of shortages, as the environmental conditions are constantly evolving and bears a direct impact on any business.

The significance of financial analysis of entrepreneurial venture can also be sum up, as-

- Assessing the operational efficiency and managerial effectiveness of the venture.
- Analyzing the financial strengths and weaknesses and credit worthiness of the venture.
- Analyzing the current position of financial analysis,
- Assessing the types of assets owned by a business enterprise and the liabilities which are due to the venture.
- Providing information about the cash position company is holding and how much debt the company has in relation to equity

2.3.2 TOOLS OF FINANCIAL ANALYSIS

- 1) **Comparative Statements:** Comparative statements deal with the comparison of different items of the Profit and Loss Account and Balance Sheets of two or more periods. Separate comparative statements are prepared for Profit and Loss Account as Comparative Income Statement and for Balance Sheets. Any financial statement can be presented in the form of comparative statement such as comparative balance sheet, comparative profit and loss account,

comparative cost of production statement, comparative statement of working capital and the like.

- 2) **Comparative Income Statement:** Comparative Income Statement are Gross Profit, Operating Profit and Net Profit. The changes or the improvement in the profitability of the business concern is found out over a period of time. If the changes or improvement is not satisfactory, the management can find out the reasons for it and some corrective action can be taken
- 3) **Comparative Balance Sheet:** The financial condition of the business concern can be found out by preparing comparative balance sheet. The various items of Balance sheet for two different periods are used. The assets are classified as current assets and fixed assets for comparison & the liabilities are classified as current liabilities, long term liabilities and shareholder's net worth. The term shareholder's net worth includes, Equity Share Capital, Preference Share Capital, Reserves and Surplus and the like.
- 4) **Common Size Statements:** A vertical presentation of financial information is followed for preparing common-size statements. The total assets or total liabilities or sales is taken as 100 and the balance items are compared to the total assets, total liabilities or sales in terms of percentage. Thus, a common size statement shows the relation of each component to the whole. Separate common size statement is prepared for profit and loss account as Common Size Income Statement and for balance sheet as Common Size Balance Sheet.
- 5) **Trend Analysis:** The ratios of different items for various periods are find out and then compared under this analysis. The analysis of the ratios over a period of years gives an idea of whether the business concern is trending upward or downward.
- 6) **Average Analysis:** The trend ratios are calculated for a business concern, such ratios are compared with industry average. These both trends can be presented on the graph paper also in the shape of curves. This presentation of facts in the shape of pictures makes the analysis and comparison more comprehensive and impressive.
- 7) **Statement of Changes in Working Capital:** The extent of increase or decrease of working capital is identified by preparing the statement of changes in working capital. The amount of net working capital is calculated by subtracting the sum of current liabilities from the sum of current assets. It does not detail the reasons for changes in working capital.
- 8) **Fund Flow Analysis:** Fund flow analysis deals with detailed sources and application of funds of the business concern for a specific period. It indicates where funds come from and how they are used during the period under review. It highlights the changes in the financial structure of the company.

- 9) **Cash Flow Analysis:** Cash flow analysis is based on the movement of cash and bank balances. In other words, the movement of cash instead of movement of working capital would be considered in the cash flow analysis. There are two types of cash flows. They are actual cash flows and notional cash flows.
- 10) **Ratio Analysis:** Ratio analysis is an attempt of developing meaningful relationship between individual items (or group of items) in the balance sheet or profit and loss account. Ratio analysis is not only useful to internal parties of business concern but also useful to external parties. Ratio analysis highlights the liquidity, solvency, profitability and capital gearing.
- 11) **Cost Volume Profit Analysis:** This analysis discloses the prevailing relationship among sales, cost and profit. The cost is divided into two. They are fixed cost and variable cost. There is a constant relationship between sales and variable cost. Cost analysis enables the management for better profit planning.

2.3.3 SOURCES OF DEVELOPMENT FINANCE

Any entrepreneurial venture that starts needs to have a good financial planning. The major issue for these ventures are arrangement or sources of funds. Without capital, an entrepreneur won't be able to buy inventory, cover payroll or the many other expenses associated with launching a business's operations. The various sources of funds for entrepreneurial venture can be arranged through-

- 1) **Personal Savings:** Personal savings are the safest mode of source available for entrepreneurs, this is also referred as Bootstrapping. This is the single most common source of capital for entrepreneurs. Personal savings, however, isn't always enough for any venture, hence entrepreneur needs to depend on other sources.
- 2) **Patient Capital:** Patient capital is money loaned by the help of family or friends. The money will be repaid later as business starts growing. When borrowing patient capital, entrepreneurs should be aware that family and friends rarely have much capital. Though this is again a limited way of funds.
- 3) **Angel Investing:** Angel investing has become a popular method of funding among entrepreneurs. With angel investing, an angel provides large sums of money to an entrepreneur so that he or she can start their own business. The angel may provide this funding in exchange for stock shares of the entrepreneur's business, or they may require the entrepreneur to pay back the funding with interest.
- 4) **Venture Capital:** Venture capital is another common way in which entrepreneurs fund their business. In many ways, venture capital is the same as angel investing. They both involve funding from a private investor or investment firm. The difference, however, is that angels typically invest more money than venture capitalists, and angels invest in early-stage businesses.

- 5) **Incubators:** Business incubators or accelerators generally focus on the high-tech sector by providing support for new businesses in various stages of development. However, there are also local economic development incubators, which are focused on areas such as job creation, revitalization and hosting and sharing services.
- 6) **Bank Loans:** Bank loans remain a time-tested funding option for entrepreneurs. If an entrepreneur has good credit, they may be eligible for a small business loan.
- 7) **Government Grants:** Many government agencies such as SIDBI, IDBI, NABAD, etc. in the form of grants and subsidies that may be available to a start-up business. Often governmental websites provide a comprehensive listing of various government programs at the federal and state level.
- 8) **Bartering Exchanging goods or services:** This form of sourcing as a substitute for cash can be a great way to run on a little wallet. An example would be negotiating free office space by agreeing to support the 'computer systems for all the other office tenants. Another common example is exchanging equity for legal and accounting support.
- 9) **Partnership:** A more established company may have a strategic interest in helping to develop a product - and be willing to advance funding to make it happen. Several companies develop customized social networks for large enterprises, with the expectation of using that funding and experience to compete in the consumer market someday.
- 10) **Peer-to-Peer lenders:** This is another safe way of sourcing any venture that allows people to seek financing from other individuals.
- 11) **Major Customer Commitment:** This is though not a popular mode of funding, yet some customers would be willing to cover development costs in order to be able to buy a product before the rest of the world can. Their advantage is the control over the production process and the promise of dedicated support. Even large companies look to their best customers to fund new projects - this is the essence of good business development.
- 12) **Crowd funding Campaign:** Crowd funding is still a viable funding option used by entrepreneurs. It is a way by which funds can be arranged through the help of approaching public via internet. It's called crowd funding because the investments come from a large "crowd" of people. In comparison, angel investments come from a single investor or investment firm. Crowd funding is a great platform for innovative product that could have mass appeal

2.4 SUMMARY

- Venture refers to business enterprise or an activity undertaken with risk factor to earn profit.
- The four key elements or components of an entrepreneurial venture are – people, opportunity, context, deal.
- A financial analyst will thoroughly examine a company's financial statements—the income statement, balance sheet, and cash flow statement.
- The financial plan in entrepreneurship is important, because it establishes the financial goals of the company.
- Various financial analysis tools like ratio analysis, balance sheet analysis, comparative Statement etc., are some of the important tools that can be used for doing financial analysis.
- With the growth of EDP, many sources of funds for venture development are now available. Like, angel investor, crowd funding, peer to peer lending, venture finance etc.

2.5 EXERCISE

I. State whether statements are True & False –

1. A new business that is formed with a plan and expectation and that undertakes risk, is referred as venture
2. A financial analysts helps in better understanding of business environment and take corrective decision making.
3. Crowd funding is still a viable funding option used by entrepreneurs.
4. Venture capital involves funding from a public institution or investment firm.
5. Cost value profit analysis discloses the prevailing relationship among sales, cost and profit.

II. Answer In Brief-

- a. Explain Entrepreneurial venture .
- b. Why is financial analysis important for any entrepreneurial venture?
- c. Explain the various tools that can be used for financial analysis.
- d. What are various sources that can be available for venture financing?

CREATING ENTREPRENEURIAL VENTURE - II

Unit Structure

- 3.0 Objective
- 3.1 Introduction
- 3.2 Social Entrepreneurship
- 3.3 Women Entrepreneurs
- 3.4 Summery
- 3.5 Exercise

3.0 OBJECTIVES

- Explain social entrepreneurship
- Describe aspects of women entrepreneurs

3.1 INTRODUCTION

In earlier unit we learned of entrepreneurship, entrepreneurial environment: its significance, SWOC Analysis & Problems of Entrepreneurship. We also learned about Financial Analysis of Entrepreneurship Venture its Significance, Tools of Financial Analysis, Sources of development finance. In this unit we are going to learn about the new concept Social Entrepreneurship and Women Entrepreneurs

3.2 SOCIAL ENTREPRENEURSHIP

Social entrepreneurs combine commerce and social issues in a way that improves the lives of people connected to the cause. They don't measure their success in terms of profit alone. The success of social entrepreneurs is that they have solved the social problem.

People are often attracted to businesses that use a social entrepreneurship model because they're helping to solve a social problem when they spend money on something they need or want.

Social entrepreneurs often start their venture or initiative after recognizing the prevalence of a certain problem in society and creating a solution to address it using their entrepreneurial skills. Their overall goal is to make a positive societal change while creating social capital to further their objectives.

They are often very ambitious and persistent in tackling major social issues and offering their ideas for societal-wide changes. Rather than

leaving solutions to the government or business sectors, social entrepreneurs will likely analyze the situation and find solutions by changing the system and often persuading governments, large corporations, and sometimes even entire societies to join them to support their initiatives.

Social entrepreneurs will often devote much of their lives to their passions and interests in order to bring about positive changes to the areas they are concerned about.

Examples of social entrepreneurship

Grameen Bank: Dr. Muhammad Yunus, an economist from Bangladesh, known as the Father of Microfinance founded the Grameen Bank in Bangladesh in October 1983 with the vision to eradicate poverty.

Traditional banks refused to make small loans to the poor. Hence the idea of Grameen Bank was born to give small loans to poor which can make a big difference in their life. Small loans would not only help them to survive but also encourage them to start their own enterprise and empower them to come out of poverty.

The success of the Grameen microfinance model has inspired hundreds of countries throughout the world. Grameen Bank and Dr. Yunus jointly won the Nobel Peace Prize in 2006.

Amul: It is an Indian co-operative dairy company. It is famously known for its white revolution in India. The company was started to stop the exploitation of rural milk producers by the traders and agents. Amul was established initially as a reaction to unfair milk trade practices in India, inspiring local and marginalized farmers to form co-operatives independent from trade cartels. With the notable help of Tribhuvandas Patel and Verghese Kurien, the Amul co-operative model became so successful that it was eventually replicated all over India in 1965. Amul has since:

- Produced excellent value for money food products for customers
- Created a lucrative source of income for local dairy farmers in India

Apple : Apple is one of the biggest and leading companies in the electronic world and is known for its best quality products. To fight with deadly diseases like AIDS, Apple donates all the money earned by selling its Red iPhone to People affected with cancer. Apple targets to create the first AIDS-free generation by the year 2020. In addition to this, to deal with electronic waste, which is piling up in oceans.

Apple provides a considerable discount on the purchase of new products to people when they return their old Apple devices. Aluminum retrieved from old devices is used to produce new devices. Apple claims to have used 100% recycled aluminum to make the enclosures of MacBook Air and MAC mini.

Vinoba Bhawe (India) was the leader and founder of the Land Gift Movement. He led to the redistribution of around 7,000,000 acres of land that later on helped the landless and untouchables of India.

3.2.1 Features of social entrepreneurship

- 1) **Passionate for Social Change:** They are passionate about their ideas and projects to achieve social change. Also, they address social issues to improve the lives of disadvantaged people within communities. Eg. Ad campaign by various marketers showing girl child in positive role has changed attitude of people towards girl child.
- 2) **Innovative Solutions:** They identify and solve social, financial, and environmental problems using effective solutions. Besides, they practice innovative approaches to address public issues and bring positive change in society. Eg. Designing LED light which saves electricity as well as protects environment.
- 3) **Self-Supportive & Financially Sustainable:** They do not depend on government subsidies to survive and generate capital to further the social cause. However, their primary focus remains to maximize social satisfaction.
- 4) **Scaling Improvement:** They primarily focus on expanding the scope of their actions to increase their social influence. As a result, they persuade societies, large corporations, and governments to support social entrepreneur ideas of social transformation.
- 5) **Entrepreneurial Approach:** They identify market possibilities, gather resources, develop creative solutions, and have a long-term impact on society. Also, they use feedback to improve their performance and stay persistent in their efforts to meet.
- 6) **Objective:** Its objectives should focus on investing the surplus in developing resources for the community and not just making economic profit.
- 7) **Drivers of change:** Social entrepreneurs don't do well in bureaucracies. They cannot sit back and wait for change to happen. They are the drivers of change.
- 8) **All pervasive:** Social entrepreneurs are innovative, resourceful, and results oriented. They draw upon the best thinking in both the business and non-profit worlds to develop strategies that maximize their social impact. These entrepreneurial leaders operate in all kinds of organizations: large and small; new and old; religious and secular; nonprofit, for-profit, and hybrid.

3.2.2 Importance of social entrepreneurship

- 1) **Bring social changes:** are the visionary change agent, thinker and disrupter who is working for betterment of society and for the problem which is faced by the society. They bring positive change in society by their efforts and initiative. Social entrepreneur's idea and

creativity can change the social problem and brings disruptive change in society.

- 2) **Make the World a Better Place:** Social entrepreneurs are obsessed and extremely passionate about the initiative and work towards the goal against all odds, and can go to any extent to see that society is problem-free. It is the social entrepreneurs who can bring drastic changes to culture, business, and economy while they make a living out of it.
- 3) **They create economic value:** By creating jobs, producing income, and nurturing an entire network of business partners—suppliers, shipping companies, lenders, and utility companies—social entrepreneurs contribute to the economic renewal of the region or country where they live and operate. Add to that the multiplier effect, in which employees of socially oriented organizations also have the opportunity to spend their income and grow the local economy.
- 4) **Act as catalysts for social change:** Muhammad Yunus, the founder of Bangladesh-based Grameen Bank, epitomizes the ability of social entrepreneurs to spearhead positive change not only locally, but also globally. The Grameen Bank has received appreciations for promoting microfinance and microcredit, lifting millions of underprivileged customers out of poverty by funding local projects at favorable conditions.
- 5) **Generate social value:** “Social value” is the general improvement seen in a society, typically across the board. Social entrepreneurship not only impacts people, but also have advantageous influences such sustainable environmental practices, high literacy for the underprivileged, reduced health hazards etc.
- 6) **Influence government policy:** Social entrepreneurs have inspired or spearheaded movements all over the world. Such movements have gathered strong popular support. This has influenced government to make fundamental changes in government policies. Whether it is in public health, environmental awareness, occupational safety, or education, social entrepreneurship initiatives have transformed the way we live, work, and vote on the fundamental issues of the day.
- 7) **Create unique opportunities:** Social entrepreneurs, by their very actions and initiatives, can provide unique opportunities for millions of individuals around the world. For example, Sam Goldman and Ned Tozun created light to provide portable solar lamps to the world’s 2.5 billion people who don’t have access to reliable electricity. In lieu of dangerous and dirty kerosene lamps,

These light provides users with solar lamps that are clean and can emit light for up to 12 hours.
- 8) **Save lives:** Perhaps the most noteworthy impact of social entrepreneurs is their ability to literally save lives. Jane Chen’s global initiative, Embrace, has received honors for creating the

Embrace Warmer, a device that keeps low-birth-weight babies warm even when there is a power outage in hospitals and clinics. Looking like a miniature sleeping bag, the Embrace Warmer provides a lifesaving four to six hours of heat on a single 30-minute charge.

- 9) **Helps in creating more job opportunities:** Unemployment is one of the biggest problems that in present times, both developed countries like the United States of America and developing countries like India both are facing. Social entrepreneurship creates job opportunities and provides employment to people. For example, entrepreneur food tech businesses like Swiggy, Zomato, and Uber Eats have created more than 400,000 jobs through their food delivery operations alone. They have provided a respectable job and regular income to people with low educational qualifications and skills.
- 10) **Innovative ideas to make the world a better place:** The Inspiration behind social entrepreneurship is to create a business idea that will not only help a social entrepreneur to generate profit but also to make a positive change in the world. Therefore, rather than adopting production methods that were harmful to the environment, social entrepreneurs come up with ideas so that the environment doesn't get affected. For example, in 1997, the giant Indian company Reliance received several threats from pollution control boards to control pollution caused by their Jamnagar refinery. To deal with the problem, Reliance came up with an innovative idea to convert wasteland nearby the refinery into mango orchard rather than shutting down the business. They have planted 1.3 lakh mango plants of 200 different species and is now famously known as "Dhirubhai Ambani Lakhbag Amrayee." They converted the barren land of the city into the lush green countryside and an environmental problem to the business opportunity.
- 11) **Connecting with customers beyond economical purposes:** When an entrepreneur adopts social entrepreneurship methods, then his goal is not just to create profit but also to give back to society. Hence, they connect with their customers beyond economical purposes. They grow their business by getting emotional support provided by their customers. For example, A giant electronic company Apple targets to eradicate AIDS by the year 2020. To support this cause, Apple donates all the revenue generated by selling Red iPhones to people affected by AIDS. Apple provides medication to AIDS-affected people living in Sub-Saharan Africa, as two-third of people affected by AIDS live in Sub-Saharan Africa. This makes Apple a social entrepreneurship organization.

3.2.3 ARGUMENTS FOR SOCIAL ENTREPRENEURSHIP

- 1) **Public Image:** Socially entrepreneurship gain more customers. This type of business attracts the customers who strongly desire to purchase from social entrepreneurship. And, these types of customers are often willing to pay a higher price to get "green"

products and services. Employees feel proud to work for such organizations. These companies see higher retention rates and more engaged employees.

- 2) **Easy to raise capital:** Social entrepreneurs find it easier to raise capital. For example, a small company researching a longer-lasting car battery might receive funding from a large automaker that is trying to enter the electric vehicle market. There are huge incentives and schemes from the government for the same. For example, a company trying to make solar panels more affordable for residential homes might receive a grant if it researching a new technology that has practical applications. It is easier to raise capital at below market rates.
- 3) **Easy marketing and promotion:** Marketing and promotion for these organizations is also very easy. Since a social problem is being tackled with a solution, it is easier to attract attention of the people and media. The degree of publicity often depends on the degree of uniqueness of the solution.
- 4) **Support from people:** It is easier to gather support from likeminded individuals since there is a social side to the enterprise. It is also easier to get people onboard at lower salaries than compared to other industry.
- 5) **Cost effectiveness:** The solutions offered by social entrepreneurship in the form of either products or services are reasonable than compared to the same service provided by a profit making organisation. No wonder basic amenities like healthcare, education etc. have become very affordable to people world over with the help of these institutions. Eg. Micro finance today caters not to the poor but to the poorest.
- 6) **Solves social problems:** In some case, social entrepreneurs work to solve a problem facing society. Did Steve Jobs and Bill Gates found Apple and Microsoft just for the money? They wanted to bring computers to the masses and make the technology easy to use for students and office workers. Today, their inventions have changed the way the world works and plays. Gates also put billions of his wealth into the Gates Foundation, doing charitable work in a variety of different social areas and in countries around the world.

3.2.4 ARGUMENTS AGAINST SOCIAL ENTREPRENEURSHIP

- 1) **Lack of funding support:** Funding is by far the biggest challenge for the social enterprises. Most social enterprises failed to secure start-up capital. Given that most of the social entrepreneurs are individual entities, it is therefore difficult to accumulate enough funds at the beginning. Over time some ventures flourish but a vast majority of the ventures struggle to maintain its existence and sustainability due to capital or ongoing sources of income. The traditional support mechanisms, such as – bank or financial

institutions that foster the development of social enterprises is quite rare as compared to commercial enterprises. This is to a lot extent due to the fundamental misconception that socially driven organisations are not profitable and there is risk involved whether to money being lend will be given back or not. Therefore, social entrepreneurs struggle to accumulate the required capital and mostly invest their own savings to tackle social problems.

- 2) **Lacks ability to scale-up (grow):** The primary problem-involving majority of the social enterprises is that, it lacks the ability to scale-up the enterprise to the next level. Most of the time it starts with immense enthusiasm or a social outlook to address any specific problem. However, the lack of support and structured policies affect the social enterprise to scale it up to the next level. Partly due to the discontent across the societies and the skepticism towards socially driven actions which is mostly neglected. This also affects the sustainability of the social enterprises. Given that most begin with addressing social problems where the government support is rare, the expansion opportunities become limited overtime due to resource constraints.
- 3) **Duality of mission:** Social entrepreneurs aspire to create social value by addressing various social problems existing in the societies. This aspiration, however, is not different from economic objective as it can also aim to earn profit through the innovative business model. The traditional conceptualization however, associates the social enterprises largely with the notion of philanthropy or non-profit venture. The duality of this identity has remained a big problem for social enterprises. Some social entrepreneurs earn money through their ventures considering this as a more ethical way to do business, some do this with the mission to create a social impact and some try to create social value and develop a sustainable business model. Thus, it is apparent that the identity of social enterprises has become more ambiguous due to the diverse identity.
- 4) **Lack of proper business strategy:** The focus of social entrepreneurship largely remains on social needs that to some extent hampers the development of the actual product or service offered by the social enterprise. This also hinders the development of a proper business strategy to compete in the market as many of the social enterprises compete with commercial enterprises. In addition, another fact is that the social entrepreneurs undertake business activities without having any prior business background which is entirely out of goodwill. Due to this most of them would not have the required managerial skill allowing them to plan, undertake strategic planning, financial forecasting etc.
- 5) **Failure to keep up with the times:** The best social enterprises in the world will struggle to remain relevant if they don't keep up with the times. Market trends, technology and customer expectation move incredibly fast. If social entrepreneurship miss the opportunity to

take advantage of new developments within social enterprise, it will struggle to keep pace with the competition. Therefore, social entrepreneurship should continually scan business environment and indulge in news sources, blogs, seminars and industry events that will ensure social entrepreneurship is ready for the next wave of innovation.

3.3 WOMEN ENTREPRENEURS

In India, participation of women as industrial entrepreneur has increased from 70s. Majority of them are engaged in the unorganised sector like agro-based industries, handicrafts, handloom and cottage based industries.

Women entrepreneurship is the process in which women initiate a business, gather all resources, undertake risks, face challenges, provide employment to others and manages the business independently. There has been a change in role of women due to growth in education, urbanization, industrialization and awareness of democratic values.

The government of India has defined a women entrepreneur as “an enterprise owned and controlled by a woman having a minimum financial interest of 51% of the capital and giving atleast 51% of the employment generated in the enterprise to women”.

3.3.1 SPECIAL GOVERNMENT SCHEMES FOR WOMEN ENTREPRENEURSHIP IN INDIA

- 1) **Entrepreneurship Development Programmes:** To upgrade skills of potential women entrepreneurs, various institutions undertake Entrepreneurship Development Programmes (EDPs). The entrepreneurship development programme encourage potential women entrepreneurs to set up small enterprises. Some of the training and development institutions are NIESBUD, SIDO, EDII & NISIET.
- 2) **Seed capital scheme:** In order to start own business this scheme is undertaken by the government. Government provides funds @ 10% to unemployed youths and women. The seed capital provided is 10% to 15% of the total cost of the project. The percentage of seed capital is 22.5% for backward class candidates. The women is treated unemployed even if their husbands are doing business or service.
- 3) **Training and Extension Services :** The programmes for training and extension services for women entrepreneurs will be organized by IDBI through designated / approved agencies independently and / or in association with other development agencies like Entrepreneurship Development Institute of India, Technical consultancy Organisations (TCOs), Central / State Social Welfare Boards and KVIC.
- 4) **Income Generating Scheme:** The Department of Women and Child Development implements this scheme. It provides assistance for setting up training - cum - income generating activities for needy women to make them economically independent.

- 5) **Scheme on Trade Related Entrepreneurship Assistance and Development (TREAD) for women:** The Government of India launched a scheme entitled “Trade Related Entrepreneurship Assistance and Development (TREAD) during the 9th plan period. The scheme aims at economic empowerment of women through trade related training information and counseling. This scheme provides for marketing development and financial loans through NGOs. The assistance is provided for Self-employment ventures by women
- 6) **District Industrial Centres:** The concept of District Industrial Centres, was proposed in the 1977 Industrial Policy. The DICs become operational since 1979. The DICs provide special assistance to women entrepreneurs of SSI units in respect of training, research, and marketing assistance.
- 7) **Mahila Arthik Vikas Mahamandal (MAVIM):** The main object of this corporation is the economics and personality development of needy women in state of Maharashtra. This corporation gives necessary training and employment opportunities to enable the women to earn and become self-sufficient. The corporation will work as one of the institution for economic development of women. Every activity of the corporation shall be for making women economically stronger and self-sufficient. The corporation will be always searching for self-employment and group industries opportunities for women. MAVIM will take a lead in organizing institute for women all over Maharashtra state so that a strong organization for women can be created.
- 8) **Self - Employed Women Association (SEWA):** Self-Employed Women Association (SEWA) is an organization of poor, self-employed women workers. It is a trade union registered in 1972. The women in this organization earn a living through their own labour and self-businesses. They do not obtain regular salaried employment with welfare benefits like workers in the organized sector. The main objective of SEWA is to organize women workers for full employment where by workers can obtain job security, income security, food security and social security. SEWA is both an organization and a movement. It is a combination of three movements labor movement, co-operative movement and women’s movement.

3.4 SUMMARY

Entrepreneur is a person who is innovative, creative, and undertakes risk to start an activity.

Entrepreneurship refers to the activity undertaken by entrepreneur.

Entrepreneurial environment refers to the surroundings in which an entrepreneur undertakes the activity. It is important to develop an

entrepreneurial activity based on the environment so that opportunities can be undertaken.

Environmental factors that affect the entrepreneurial activity are political, legal, economical, cultural and social.

Entrepreneurs face a lot of problems in terms of starting up the activity, like finance, limited budget for marketing, lack of proper planning, team of right talents for undertaking the activity, risk & uncertainty, criticism

- Venture refers to business enterprise or an activity undertaken with risk factor to earn profit.
- The four key elements or components of an entrepreneurial venture are – people, opportunity, context, deal.
- A financial analyst will thoroughly examine a company's financial statements—the income statement, balance sheet, and cash flow statement.
- The financial plan in entrepreneurship is important, because it establishes the financial goals of the company.
- Various financial analysis tools like ratio analysis, balance sheet analysis, comparative Statement etc., are some of the important tools that can be used for doing financial analysis.
- With the growth of EDP, many sources of funds for venture development are now available. Like, angel investor, crowd funding, peer to peer lending, venture finance etc

3.5 EXERCISE

FILL IN THE BLANKS

- 1) _____ environment constitutes all the factors related to government affairs such as type of government in power, attitude of government towards different groups of societies, policy changes implemented by different governments etc. (Political, Technological, Cultural)
- 2) Entrepreneurial environment facilitates _____ (Reduce productivity, Resist changes, Identify opportunities)
- 3) _____ combine commerce and social issues in a way that improves the lives of people connected to the cause. (Social Entrepreneurship, Start-ups, Multi-National Corporation)
- 4) The objective of social entrepreneurship is to _____ (Profit making, Solving social issues, Commercialization)
- 5) _____ is an organization of poor, self-employed women workers. (Micro, Small and Medium Enterprises, Registrar of Companies, Self - Employed Women Association)

TRUE OR FALSE

- 1) Entrepreneur undertakes an activity which has no risk. FALSE
- 2) An individual who starts an innovative activity is referred as entrepreneur. TRUE
- 3) A business man and an entrepreneur are same. FALSE
- 4) SWOT analysis is an effective tool for taking decision for any business activity. TRUE
- 5) Much entrepreneurial activity fails in initial stages due to lack of planning. TRUE
- 6) Funding is never a challenge for the social enterprises. FALSE
- 7) Vinoba Bhave is an example of social entrepreneur in India. TRUE
- 8) Women entrepreneurship is the process in which women initiate a business, gather all resources, undertake risks, face challenges, provide employment to others and manages the business independently. TRUE

MATCH THE PAIRS

Group – A	Group – B
1) Source of development finance	a) Lack of Planning
2) Problem of entrepreneur	b) Mahila Arthik Vikas Mahamandal (MAVIM)
3) Tool of financial analysis	c) Angel Investing
4) Grameen Bank	d) Trend Analysis
5) Special Government schemes for women entrepreneurship in India	e) Dr. Muhammad Yunus

(1-c, 2-a, 3-d, 4-e, 5-b)

ANSWER IN BRIEF

- 1) What is the significance of entrepreneurial environment?
- 2) Explain SWOT analysis for entrepreneurial activity.
- 3) What are the problems faced by any entrepreneurship?
- 4) Explain Entrepreneurial venture .
- 5) Why is financial analysis important for any entrepreneurial venture?
- 6) Explain the various tools that can be used for financial analysis.
- 7) What are various sources that can be available for venture financing?
- 8) What is social entrepreneurship? Explain its features.
- 9) Discuss the importance of social entrepreneurship.
- 10) Write a note on argument for social entrepreneurship
- 11) Write a note on argument against social entrepreneurship
- 12) Explain the concept of woman entrepreneurs. Briefly discuss various special Government schemes for women entrepreneurs in India.

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PROJECT MANAGEMENT - I

Unit Structure

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Concept of Project
- 4.3 Characteristics of a Project
- 4.4 Classification of Projects
- 4.5 Search of a Business Idea
- 4.6 Project Cycle
- 4.7 Concept of Project Formulation
- 4.8 Steps in Project Formulation
- 4.9 Concept of Project Design and Network Analysis
- 4.10 Network Analysis Techniques
- 4.11 Summary
- 4.12 Exercise

4.0 OBJECTIVES

After completing this module students will be able to:

- Understand Project and its classification
- Understand the Project Cycle
- Understand Project Formulation
- Understand Project Design and Network Analysis

4.1 INTRODUCTION

Project is a well planned series of activities and tasks that are relatively interdependent and are required to be completed in a particular time frame to achieve predefined set of objectives.

4.2 CONCEPT OF PROJECT

According to Cambridge dictionary, “Project is a piece of planned work or an activity that is finished over a period of time and intended to achieve a particular purpose.” The ultimate aim of any business project is to gather the resources, utilize them optimally, making the things socially viable and thereby earning the business profits. Putting in more simple words, Project is a planning framework for achieving the desirable results.

Projects vary in size, nature, time line to complete, goals, resources required and formalities required to complete. An entrepreneur may consider a project of starting a new business or expanding an existing one.

Government may take up a project of launching a multi facility hospital in a rural area. An NGO may launch a project of Environmental Awareness among the citizens of the country. A Software firm may conceive a project of developing a new software as per the requirements of a client. A University may take up a project of launching its sub centre in the suburban regions facilitating learners.

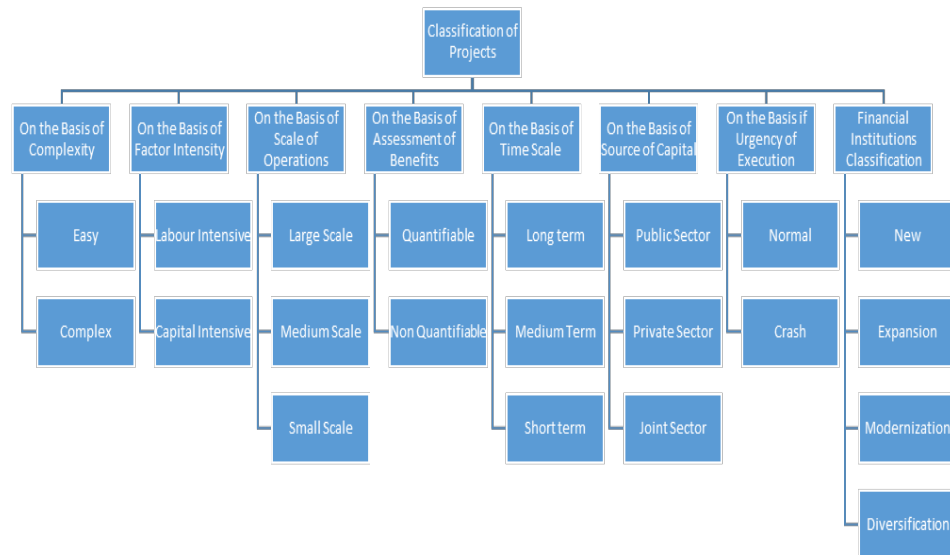
4.3 CHARACTERISTICS OF PROJECT

A project has several characteristics that make it unique. These characteristics are as follows:

- 1) **Time Frame:** Every project has a start and an end date. A project is considered as successful and is closed as soon as its objectives are accomplished. Project is generally temporary in nature.
- 2) **Objectives:** A project is initiated to achieve certain goals. For instance, project started by an entrepreneur may try to achieve objectives like increase in market share, increase in revenues, etc. Whereas, a government project may have objective like facilitating its citizens.
- 3) **Unique:** Every project is unique by itself. Generally project is different from normal operations as project concentrates only on non routine and non repetitive tasks.
- 4) **Funding:** To implement a successful project, adequate funding is necessary. Project budgets are set as per the nature and other requirements of the project.
- 5) **Resources:** A Project requires certain resources to operate. Apart from financial resources, human resources and physical resources like materials, plant and machinery, equipment, loose tools, etc are required at each phase of the project.
- 6) **Teamwork:** A successful project requires an enthusiastic team. Achieving the project goals individually can be backbreaking. An entrepreneur generally appoints team members at different levels in the organization to achieve these goals.
- 7) **Risk and Uncertainties:** Risk is a probability of incurring a loss or damage. While, uncertainty means a situation where one is not sure about the future outcome. A project may have certain risks and uncertainties which need to be mitigated and managed by the initiator.

4.4 CLASSIFICATION OF PROJECTS

Projects can be classified into many ways. Some of the important ways of classifying the projects are as follows:



(A) On the Basis of Complexity:

- (i) **Easy Projects:** Such projects are easy to plan and execute. Resources for these projects are easily available. Moreover, detailed planning is not required as tasks in the project are simple to carry out.
- (ii) **Complex Projects:** As the name suggests, these projects are quite complex in nature as tasks are highly interdependent. The project network is widely spread and depicts complex relations among the components.

(B) On the Basis of Factor Intensity

- (i) **Labour Intensive Projects:** Labour intensive projects are those in which huge amount of investment is made in human resource. Labour is the dominant factor in such projects.
- (ii) **Capital Intensive Projects:** Capital intensive projects are those in which huge investment is made in plant and machinery. Capital is the dominant factor in such projects.

(C) On the Basis of Scale of Operations

This classification is also called as Classification on the basis of magnitude of operations

- (i) **Large Scale Projects:** In large scale projects, investment is huge and operations are carried out on a large scale.
- (ii) **Medium Scale Projects:** In medium scale projects, amount of investment is neither too high nor too less. The scale of operations is also medium.
- (iii) **Small Scale Projects:** In small scale projects, investment is lesser and scale of operations are also limited.

(D) On the Basis of Assessment of benefits

- (i) Quantifiable Projects:** Quantifiable projects are those in which quantitative assessment of benefits can be made. Eg. Energy Generation project by government.
- (ii) Non Quantifiable Projects:** Non quantifiable projects are those in which quantitative assessment of benefits cannot be made. Eg. Health care project by government or education project launched by an edtech company.

(E) On the Basis of Time Scale:

- (i) Long Term Project:** The time span for such projects is bit longer may be several years.
- (ii) Medium Term Project:** The time span for several projects may range from several months to several years.
- (iii) Short Term Project:** Time Span for such projects may range from few weeks to few months.

(F) On the Basis of Source of Capital

These are also called as Projects on the basis of Ownership

- (i) Public Projects:** These projects are owned and funded by government.
- (ii) Private Projects:** These projects are owned and funded by private enterprises
- (iii) Mixed or Joint Projects:** These projects are jointly managed, owned and funded by government and private enterprises. Projects related to Public Private Partnership fits in this category.

(G) On the Basis of Urgency of Execution

- (i) Normal Projects:** These projects are executed during the normal course of business or during normal situations.
- (ii) Crash Projects:** These projects are executed during emergency situation like rescue projects during calamities.

(H) Financial Institution Classification

The financial institutions before sanctioning the funds for the project, make a deeper analysis of projects, evaluating their feasibility. Financial institutions classify such projects as follows:

- (i) New Projects:** Projects taken for establishing a new enterprise can befit in this category. The aim is to set up a new venture.
- (ii) Expansion Projects:** When existing business tries for growth in terms of increasing the market coverage or wider customer base are expansion projects. For example, an enterprise increasing its base from national to international markets

- (iii) **Modernization Projects:** Such projects are taken by enterprises to upgrade the technology base and introduce modern ways of running operations with such latest technology.
- (iv) **Diversification Projects:** The projects which are executed to enter into diverse product lines, can be considered as Diversification projects. Eg. ABC company which is into FMCG products, enters into a project of launching chain of restaurants.

4.5 SEARCH OF BUSINESS IDEA (IDEA GENERATION)

Entrepreneurship is all about creativity and innovation. In the competitive and fast changing world, an innovative business idea can lead to the success of entrepreneurship. Even Joseph Schumpeter emphasized that for entrepreneurial growth, survival and success, creativity or innovation is the key factor. Entrepreneurship activities revolves around searching for a unique business idea that can be converted into a feasible business solution. An entrepreneur has to strive hard in search of an innovative business idea. Searching for an exclusive and exceptional idea may not struck overnight. It may take some time and perhaps a formal process to evolve. Following are the proven tools that can help in searching a prosperous business idea:

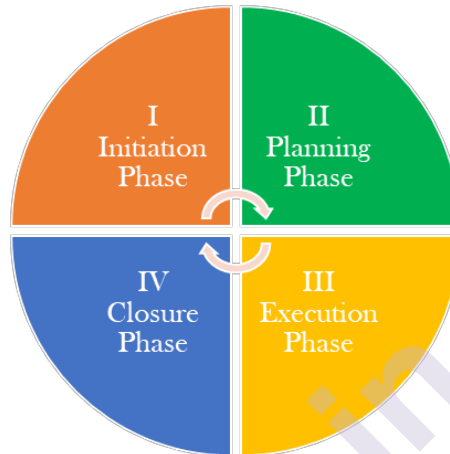
- 1) **Brain Storming:** Brain storming is considered as the most prominent technique in case of idea generation. This technique was introduced by Alex Osborn. In this technique, a group of 5 to 7 members come together and think about an innovative idea. Every member comes up with his idea and all the ideas are discussed. After much deliberations, one or two ideas are shortlisted for further discussion and debate. Care is taken to allow freely to members to think in any discussion. No criticisms are allowed.
- 2) **Reverse Brainstorming:** This is very similar to Brain storming. The major difference here is that Criticisms are also allowed and made as the part of discussion. Negative comments are focused and detail discussion on every negative aspect of the idea is also taken up.
- 3) **Mind Mapping:** Mind map uses the diagrammatic representation of an idea. Images, lines and links are used to link key concepts. A central theme is written down and is linked to other related concepts with lines. This is one of the most common method of idea generation by making a diagram. It is as simple as taking notes and writing main points during a lecture.
- 4) **Free Association:** This methodology is actually a free association of words or phrases related to an idea. It starts with writing one word or

a phrase related to the idea. Then additional words or phrases are kept on appending till a complete idea is conceived.

- 5) **Nominal Group Technique:** This technique is little different from Brainstorming. However, there is active participation and contribution of all the members. Before the group meets, a topic of discussion is already given to the members and members are asked to come up with an idea to discuss and deliberate. When the group meets, all the ideas brought by each member is discussed and finally one or two ideas are shortlisted.
- 6) **Delphi Technique:** This also another group technique in which members are asked to write their idea on a piece of paper. Participants would be sitting at different places or locations. Responses of the participants are not known to each other. All the ideas are collected by the moderator separately. Moderately will be then discussing with each participant what others have suggested. Again the suggestions are proposed by participants sitting out at separate location and the process continues till similar kind of ideas are suggested by the participants.
- 7) **The 5Ws:** The 5Ws method is yet another good method of generating best ideas. One tries to answer What, When, Why, Who and Where related to the idea and thus a holistic approach is considered to generate and evaluate the idea.
- 8) **Brain Writing:** Brain writing is sometimes known as silent brain storming. In this technique, a form is distributed to the participants, wherein every participant is required to pen down his thoughts. The form gets passed on from one participant to another in which participants will go on adding the ideas and thus a new idea is conceived without oral discussion.
- 9) **Attribute Listing:** In this method, individual searching for an idea, list various attributes of an idea or a product or a service. Each attribute is then analysed in much detail. The attribute gets altered after its in-depth analysis and thus a new attribute is put on place. The whole new idea is generated like that.
- 10) **Synectic:** This model of idea generation was introduced by George Prince and William Gordon. In this model, a certain thing is taken out from the existing thing and is put back again after a careful scrutiny. Participant gets to know about the mechanism of the thing and based on that he gets a clear understanding about the existing thing and based on that a new idea is generated.

4.6 PROJECT CYCLE

As mentioned earlier, project comprises of various interdependent tasks that need to be carried out step by step. For a project to be successful, it has to pass through certain stages which forms the Project Cycle. These stages in a Project Cycle are discussed as follows:



Phase I: Initiation

- Mission of the project is determined
- Expectations of the project are highlighted
- Processes that are necessary to begin with the project are defined
- Success criteria of the project is determined
- Budget required at each stage is roughly drafted

Phase II: Planning:

- Scope and the objectives of a project are fixed
- Work Breakdown Structure (WBS) is created to list the tasks to accomplish the project objectives
- Scheduling of the project is done by assigning time frame required to complete each and every activity
- Estimation of resources required to complete each task is generated

Phase III: Execution

- Operations in a project begins with this phase
- Resources are actually allotted
- Work performance is measured to understand whether timely execution of activities is done
- Quality assurance is performed to ensure quality control
- Bringing changes in the execution as and when necessary as per changing environment

Phase IV: Closure

- Progress of the project is tracked, reviewed and monitored
- Controlling phase is executed to understand the deviation between planned and the actual performance
- Projects shortcomings are noted

4.7 CONCEPT OF PROJECT FORMULATION

An entrepreneur would be investing huge amount of money into the business. Thus, it is essential to understand whether project would be able to produce deliverables as planned. Project Formulation is a crucial process that helps to evaluate the business idea. Project Formulation helps the entrepreneurs to evaluate various aspects of a project in terms of commercial, financial, technical and economic standpoints. With the help of Project Formulation, entrepreneur is able to evaluate every component of the project which further aids him in making the overall evaluation of the investment that he is going to make in the proposed plan.

4.8 STEPS IN PROJECT FORMULATION

Project Formulation may cover following steps:

1. **Feasibility Analysis:** Project Formulation begins with Feasibility Analysis. This helps entrepreneur to understand whether to accept or reject the idea of a proposed investment plan. Various internal and external attributes of the project and business are examined and investigated. By the end of this stage, entrepreneur can come to the conclusion whether the project is feasible or not. Sometimes due to limited availability of data, it is not easy to decide whether project is feasible. In such a case entrepreneur seeks supplementary data for further evaluation.
2. **Technical Analysis:** Technical Analysis helps entrepreneurs to finally select the best technology for the project. It helps the entrepreneurs to assess the overall benefits of using a particular technology. The choice of a particular technology depends upon several factors like cost of technology, latest developments, possible benefits of the technology, easy of absorption, etc. During this stage, entrepreneur study all these factors and zero in on the optimal technology that fits to the project mission.
3. **Economic Analysis:** This stage of Project formulation is highly desirable. At this stage, entrepreneur tries to evaluate the demand for project output. Further, it evaluates the cost benefit analysis, assuming certain risks and constraints. Economic analysis helps entrepreneur to evaluate the cost effectiveness of the project.
4. **Project Planning & Design:** Project planning and Design is the most vital stage in the formulation of a project. At this stage, entrepreneur is able to understand and list down various components

of a project. The interdependencies between various tasks are identified and the relationship among these activities is understood by arranging them in a sequence. This generates a design flow of a project.

5. **Network Analysis:** Once the activities are listed and interdependencies are known, it is important to understand the flow of activities in a project. A project can be completed using several ways by altering the flow of activities. During the Network analysis alternative paths of completing the project are identified and one that uses the least time and limited resources is considered finally.
6. **Input Analysis:** A project may require several inputs in terms of materials, components, equipment, machinery and so on. A detailed evaluation of all such inputs and resources required at each and every stage of the project is made.
7. **Financial Analysis:** To begin with a project, huge funding may be required. Entrepreneur can invest his own savings into the business and also seek financial support from banks, financial institutions, venture capitalists and so on. Financial analysis will help entrepreneurs to understand the complete investment outlay. With the help of Capital budgeting techniques like ARR, IRR, Net Present Value, etc. project is assessed and the decision to continue with the project or reject the project is finally made.
8. **Cost-Benefit Analysis:** Cost Benefit analysis is a quantitative approach towards comparing the total costs associated with the project and the possible returns from the project. Total costs of the project are estimated like direct cost, indirect cost, opportunity cost and all the hidden costs associated with the project are scrutinized. Similarly, this exercise helps to evaluate all the benefits whether direct or indirect. It helps to take a decision whether to carry forward the project or not. This stage is important as it aids to figure out whether benefits outweigh the costs.
9. **Pre-Investment Analysis:** This is the final stage in Project Formulation. This is the stage where consolidation of decisions take place and finally it is decided to accept or reject the proposal. Not only entrepreneurs get a clear picture by this stage, but also it proves to be of greater significance to the funding and sponsoring agencies in making a decision whether to fund and sponsor the project or simply reject the same.

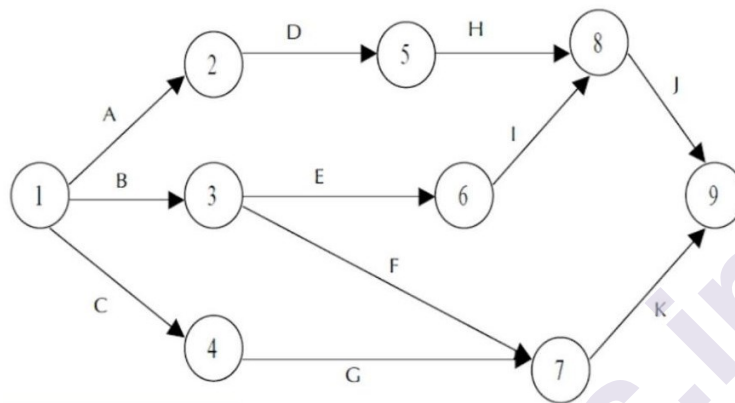
4.9 PROJECT DESIGN AND NETWORK ANALYSIS

Project Design and Network Analysis are vital for the successful implementation of the project. By now, we have understood that a project comprise of numerous smaller inter related task. Project Design and Network Analysis is a framework that breaks the project into these smaller activities. These activities are identified and list one by one. Their

sequence is understood. It means emphasis is given on understanding which activity follows the other and how the project task is accomplished. This helps in understanding the project completion time and resources requirement.

Further, a graphical representation of all the activities in a sequential order is made in order to understand the complete picture of the project. Graphical representation makes the work simpler and easier.

For example, let us see the network diagram given below:



- There are three activities A, B and C which marks the beginning of the project. These three activities start simultaneously.
- Activity D is followed by Activity A.
- Activity E and F are followed by Activity B. Once Activity B is finished, Activity E and F begin simultaneously.
- Activity G is followed by Activity C.
- Activity H is followed by Activity D.
- Activity I is followed by Activity E.
- Activity J is followed by Activity H and I together.
- Activity K is followed by Activity C and F together.
- Activities J and K are the last two activities which mark the completion of the entire project.

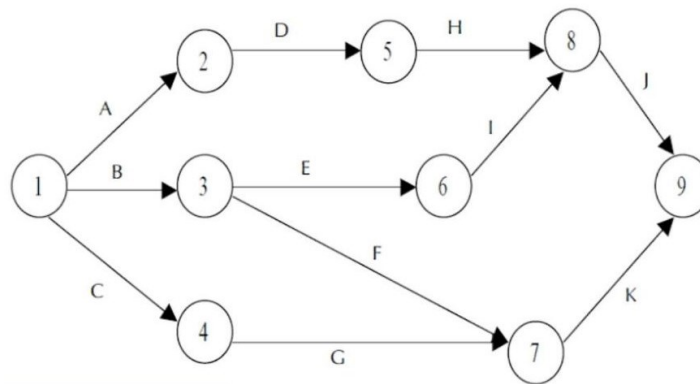
4.10 NETWORK ANALYSIS TECHNIQUES

There are various Network Analysis techniques available. Some of the most common techniques are PERT, CPM, GERT, MPM, CCM and alike. We will be emphasizing on two prominent techniques viz. CPM and PERT.

1. CPM (Critical Path Method)

CPM is also known by the name CPA which stands for Critical Path Analysis. CPM is a scheduling method with diagrammatic representation of activities, connected sequentially to complete the project. These sequence of activities determines Project Completion Paths. Duration of each path is estimated and thereby Critical Path is

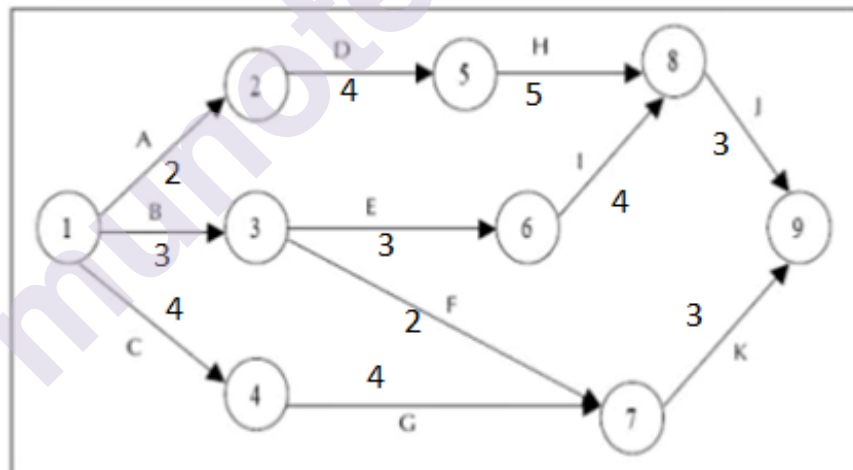
ascertained to determine total project completion time. Lets consider the same example:



Let us assume the following completion time of each activity in a project:

Activity	A	B	C	D	E	F	G	H	I	J	K
Days required	2	3	4	4	3	2	4	5	4	3	3

We can denote time required to complete each activity in the above network diagram as follows:



From the above diagram, we can find various paths in Project Completion. These paths are:

A-D-H-J which takes $2+4+5+3 = 14$ days

B-E-I-J which takes $3 + 3 + 4 + 3 = 13$ days

B-F-K which takes $3 + 2 + 3 = 8$ days

C-G-K which takes $4 + 4 + 3 = 11$ days

The longest path is A-D-H-J which takes 14 days to complete the task. Thus this is the critical Path. This denotes that a project takes 14 days to complete. All the activities in this path i.e. activities A, D, H and J are critical activities. Delay in any of these activities can cause delay in the entire project.

CPM includes following:

- Listing all the tasks associated with Project
- Identifying their sequence
- Estimating and writing down time required to complete each and every activity.
- Finding out Critical Path through network diagram and thus estimating Project Completion time.
- Putting focus on control of critical activities
- Focusing on planning, scheduling and controlling critical activities

2. PERT (Program Evaluation and Review Technique):

PERT is also a graphical representation of various activities in the project. It is quite similar to Critical Path Method. However, PERT is used generally for the projects where time needed for completing the activities is uncertain. Three different time estimates for the project are created:

- Minimum Possible Time estimate,
- Maximum Possible Time estimate and
- Most Likely Time estimate.

Based on the above three estimates, the time for each activity is calculated and the Project completion time is determined. Thus PERT uses Probabilistic model as it deals with unpredictable events.

4.11 SUMMARY

The chapter provide details regarding project management. It elaborates concept of project, its characteristics and types. It also discusses about different phases of project and steps in project formulation. The most important part is the concept of project designing and network analysis in which we discuss important aspects of network analysis

4.12 EXERCISE

A. Fill in the blanks with appropriate option.

1. Capital intensive projects are those in which huge investment is made in _____
 - (a) Human Resources
 - (b) Physical Resources
 - (c) Workforce development
 - (d) Plant and Machinery

2. _____ projects are executed during emergency situations
 - (a) Normal
 - (b) Expansion
 - (c) Diversification
 - (d) Crash
3. _____ helps entrepreneur to understand whether to accept or reject the idea of a proposed investment plan.
 - (a) Feasibility Analysis
 - (b) Technical Analysis
 - (c) Project Formulation
 - (d) Project Identification
4. _____ is a framework that breaks the project into smaller activities and then are represented with the help of a graph or a diagram along with their sequence.
 - (a) Project Formulation
 - (b) Feasibility Analysis
 - (c) Project Design and Network Analysis
 - (d) Project Identification
5. _____ technique of idea generation uses the diagrammatic representation of an idea, wherein Images, lines and links are used to link key concepts.
 - (a) Brainstorming
 - (b) Mind Mapping
 - (c) Reverse Brainstorming
 - (d) Attribute Listing

[Answers: 1-d Plant and Machinery, 2-d Crash, 3- a Feasibility Analysis, 4-c Project Design and Network Analysis, 5-b Mind Mapping]

B. State whether the following statements are True or false

1. Criticisms and negative comments are allowed in reverse brainstorming technique.
2. Project Identification helps an entrepreneur to understand and analyse in detail about the business idea being conceived
3. CPM stands for Critical Project Management
4. PERT method is Probabilistic in nature
5. Feasibility Analysis is same as idea generation

[Answers: 1-True, 2-True, 3-False, 4-True, 5-False]

C. Match the following:

“A”	“B”
1. Negative Comments	a) Select or reject the Project
2. Project Feasibility Analysis	b) Reverse Brainstorming
3. Attribute Listing	c) pick the most suitable and apt business opportunity
4. Project Identification	d) Network Analysis technique
5. PERT	e) Idea Generation technique

[Answers: 1-b, 2-a, 3-e, 4-c, 5-d]

D. Answer the following questions:

1. What do you mean by the term ‘Project’? Explain its features.
2. How are Projects classified?
3. List and explain various methods of searching a business idea.
4. What are the phases in a Project cycle?
5. What is Project Formulation? Discuss the steps involved in Project Formulation.
6. What do you mean by Project Design and Network Analysis. Discuss CPM and PERT as Network Analysis techniques.

PROJECT MANAGEMENT - II

Unit Structure

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Concept of Project Management
- 5.3 Phases of Project Management
- 5.4 Concept of Project Identification
- 5.5 Steps in Project Identification
- 5.6 Project Feasibility Analysis
- 5.7 Importance of Project Feasibility Analysis
- 5.8 Project Report and its Contents
- 5.9 Summary
- 5.10 Exercise

5.0 OBJECTIVES

After completing this module students will be able to:

- Understand Project Management
- Understand Project Identification
- Understand Feasibility Analysis
- Understand drafting of Business Plan

5.1 INTRODUCTION

We have seen earlier that a project is a temporary attempt to deliver something valuable in a particular span of time with specific objectives to accomplish. We have also discussed that project comprises of various interdependent tasks to be performed. All the activities of a project need to be planned, organized, executed and controlled. This defines the role of Project Management. Project Management takes care of all this.

5.2 CONCEPT OF PROJECT MANAGEMENT

Investopedia defines Project management as **“the planning and organization of a company's resources to move a specific task, event, or duty towards completion.”**

Project Management Institute (PMI) defined Project Management as **“the use of specific knowledge, skills, tools and techniques to deliver something of value to people.”**

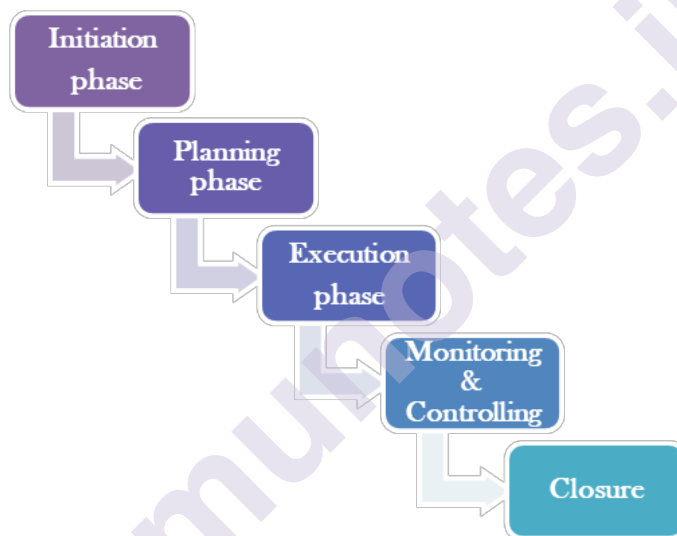
Simple putting together, Project Management is an art of dealing with the project and its outcome with a perspective to attain the project goals.

5.3 PHASES OF PROJECT MANAGEMENT

When a project is divided into small phases, it becomes easy to deal with the project. The entrepreneur is able to understand the total workload of the project and how easy or challenging is to accomplish the project goals. Following are the phases of Project Management:

1) **Initiation Phase:**

This is the stage where project actually begins. The project idea is generated with the help of various idea generation techniques. The ideas are generated, evaluated, shortlisted and finally the best one is selected. The aim is to understand whether a project is feasible enough to put into practice. A project proposal or a business plan is actually prepared which acts as a blue print for the venture. The scope of the project is defined and boundaries are drawn.



2) **Planning Phase:**

Planning phase begins as soon as the project is conceptualized. A Project Management Plan is effectively conceived. The aim of this plan is to fix the goals, finalise the deliverables, make the detailed schedule while keeping time constraint, list the resources required, and make the estimated budget for various activities. Project planning also records the personnel requirements. It also considers the risk management planning. Moreover, communication planning is aptly put on place.

3) **Execution Phase:**

Once the effective planning is done, now it's the time to actually execute what is planned. Teams are formed for efficient execution. The resources are procured and allotted to the teams. A coordination mechanism is implemented to connect resources with the teams. This is the lengthiest phase as most of the cost, time and resources

are utilized in this phase. Project outcome is observed in terms of Project deliverables.

4) Monitoring and Controlling:

This phase typically aims at monitoring of costs, quality, time allocations and the work that is actually executed. Project assessment is done with regard to fixing up of errors and slipups. To perform controlling, actual performance is measured and then compared with the planned one. Deviations are listed out and corrective actions are considered for further effective execution of the project.

5) Closure:

This is the wrapping up stage where all the contracts are formally sacked. Sometimes, project closure report is also prepared that will act as a document to understand how well the project has been implemented. The team endeavors at learning from the outcomes. Closure phase ends with the Post implementation review, drawing lessons from the same.

5.4 CONCEPT OF PROJECT IDENTIFICATION

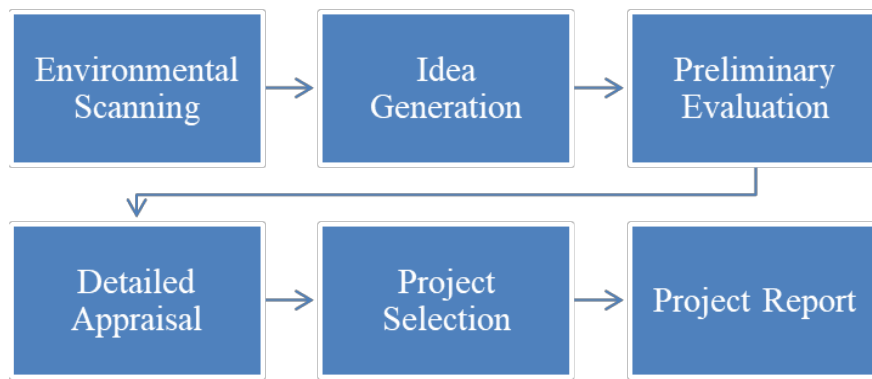
When a prospective entrepreneur searches for the feasible business, he may come across several opportunities. It becomes imperative for him to choose the right business idea. Entrepreneur has to look into his surroundings, and has to analyse the opportunities existing therein and a best one suiting the requirements is fixed upon. Project Identification is the process that enables an entrepreneur to pick the most suitable and apt business opportunity.

In order to make the project identification, entrepreneur has to strive hard in terms of seeking the best opportunity. He can do so by

- studying the performance of existing industries,
- analysing the government policies and trends,
- evaluating the market changes and customer expectations regarding product quality and price,
- understanding technological updates
- find out availability of raw material and transportation accessibility
- Understanding the availability of skilled and unskilled manpower and so on.

5.5 STEPS IN PROJECT IDENTIFICATION

Project Identification within itself is a huge task. It involves many steps. Let us try to understand the steps involved in the process of Project Identification



- 1) **Environmental Scanning:** The very first step in the process of Project Identification is to make the environmental scanning. Entrepreneur is able to get a detailed information about various external forces that can influence the business decisions. By environmental scanning, entrepreneur can understand and monitor the factors that are inseparable like government, customers, suppliers, financial institutions, general public, society, etc.
- 2) **Idea Generation:** We have already discussed much about idea generation. Idea generation is necessary to come out with list of few good business ideas that can be evaluated further. Various techniques like Brain Storming, Mind mapping, Nominal group technique, etc., are used to generate the best business ideas.
- 3) **Preliminary Evaluation:** During this stage, all the ideas that have been listed are scrutinized. Each idea is analysed from the view point of a ready business venture or a product. This enables the entrepreneur to understand strengths and weakness of every idea and the best three or four ideas are further shortlisted.
- 4) **Detailed Appraisal:** Detailed appraisal of the selected ideas becomes necessity then. All the final shortlisted ideas are investigated with much more intensity. Thus, a detailed study is mandatory for evaluating: availability of raw materials, transportation and communication facilities, equipment availability, technology availability, production capacities and capabilities, marketing plan, HR strategy, etc.
- 5) **Project Selection:** After making a detailed analysis, entrepreneur can come to know that which idea is best from the view point of increasing returns on investments and societal benefits. The idea or a project that is most fertile is finally selected.
- 6) **Project Report:** Once the zero in process of project selection is done, the last step is creating a blue print or a document that can act as a road map in the path of actual business journey. This is done by writing a project report which covers all the aspects of running down the business. Project report is thus a business plan that ensures that business is moving in the right direction.

5.6 PROJECT FEASIBILITY ANALYSIS

Dictionary meaning of Feasibility is “Viability”. Project Feasibility analysis helps in understanding whether the project idea that is conceived is viable. Project feasibility analysis will make the critical evaluation of the proposed business opportunity and thereby aids in understanding challenges, hurdles, and difficulties in the way of doing business. I should not happen that a project is launched and after some time entrepreneur closes it by not finding it viability. Therefore, it is necessary to understand the viability of the business while it is planned and proposed. Closure of a running business can lead to huge sum of losses. So as to prevent such losses and damages, feasibility analysis is must. Project feasibility analysis will support entrepreneur in terms of understanding competition edge prevailing in the market, financial opportunities and limitations, operational difficulties and much more.

A Project Feasibility analysis will include the following:-

- Market feasibility analysis
- Technical feasibility analysis
- Financial feasibility analysis
- Economic feasibility analysis
- Managerial feasibility analysis
- Social feasibility analysis

1. Market Feasibility Analysis

Since the success of any enterprise depends upon its ability to market its products/services, the lending institution should first of all pay meticulous attention to this aspect. The survival of any business depends upon its earning capacity which in turn depends on the volume of sales. Again, marketing is the only activity which brings revenue while all other activities involve expenditures. Hence, a detailed market analysis should be undertaken estimating the supply and demand for the product. In fact, the potential of the market constitutes the determinants of probable rewards for an entrepreneur.

2. Technical Feasibility Analysis

Technical feasibility simply refers to the adequacy of the proposed plant and equipment to produce the product as per the required norms. This aspect requires a careful examination and a thorough assessment of the various inputs of the project like land, machineries, trained labour, transportation, fuel, power etc. It also requires the analysis of the know-how necessary to run the project and whether the entrepreneur possesses that knowledge or whether he is going to procure from outside. Sometimes, a project may require collaboration. In such a case, the terms and conditions of the collaboration should be examined. In the case of foreign technical collaboration, the legal provisions prevailing in the country in relation thereto should also be analysed.

3. Financial Feasibility Analysis

Finance is the most important prerequisite to establish an enterprise. Hence, the appraisal of the financial viability of the project assumes much importance in a project appraisal. This requires the scrutiny of the following:

- (a) Cost of the project and means of financing
- (b) Cash flow estimates
- (c) Projected balance sheets

4. Economic Feasibility Analysis

It is absolutely essential to see that the project is economically viable. The economic viability depends upon its profitability. A project without adequate profits cannot be commercially viable. Hence, the economic viability can be assessed through projections of profitability for a period ranging from 3 to 10 years. The profitability of a project should be established on a long-term basis. Thus, the economic feasibility analysis includes the analysis of the requirements of raw materials, level of capacity utilisation, anticipated sales, anticipated expenses and the probable profits.

5. Managerial Feasibility Analysis

The appraisal of the management is indeed considered as the touchstone of term credit analysis. It is so because the success or failure of any enterprise depends upon the direction and efficiency of the management. In the absence of managerial competence, the projects which are otherwise feasible may fail. On the other hand, a poor project may turn out to be a successful one with efficient managerial ability.

6. Social Feasibility Analysis

Any business should be socially responsible. In fact, business is not merely a profit making occupation but a social function which involves certain duties and requires that appropriate ethics are followed. It must accept its obligation to be socially responsible and to work for the larger benefit of the community. It has a lot of responsibility to the community around its location and to the society at large.

5.7 IMPORTANCE OF PROJECT FEASIBILITY ANALYSIS

Some of the key points that reflects the importance of Project Feasibility Analysis are described as follows:

Evaluation of Success or Failure: It's a systematic process that will help in understanding the benefits and limitations of project at each step and thus will help in evaluating success or failure of the proposed project

Writing Business Plan: Feasibility analysis will assist in writing the business plan and document the areas where threats and challenges are

observed and assists entrepreneurs in taking decision whether to continue for the project or not.

Supports in Funding: External agencies like banks, financial institutions may read the feasibility analysis report and based on that they can evaluate the financial soundness of the proposed project. Thus funding decisions of these institutions is backed by the project feasibility analysis.

Understanding Opportunities: Feasibility analysis will help the entrepreneurs in seeking new opportunities for the business. Market feasibility, Technical Feasibility, Economic Feasibility and other feasibility analysis dimensions can help entrepreneurs in finding out new business opportunities or new products or services that can fit in the competitive environment.

5.8 PROJECT REPORT AND ITS CONTENTS

Once an entrepreneur has taken a concrete decision of exploiting a specific opportunity, the next step will be to prepare a project report. A project report is a report which provides all the necessary details of the unit proposed to be established either for the manufacture of a product or for rendering a service. It is also used as a tool for anticipating and solving problems that may creep in during the course of running the project at a later state. It is nothing but a blue-print of all those activities that an entrepreneur proposes to engage in.

The project report is an essential document for procuring financial assistance from financial institutions and banks and also to fulfill other formalities for the implementation of the project. Therefore, the report should provide a complete framework for the presentation of all information that would be required by financial institutions for appraising the project. It would also enable the entrepreneur to know how much money, material and manpower would be required to set-up the project. Thus, a project report for an entrepreneur is very similar to a guide map for a traveler.

Many entrepreneurs feel that they should be relieved of from the botheration of preparing the project report. So, they seek the services of Chartered Accountants, Technical Consultants, Management Consultants etc. who prepare the report on behalf of the prospective entrepreneurs. Institutions like SISI, SIDC, SSIDC also help in the preparation of a project report and later on recommend them to banks. In recent times, commercial banks have also come forward to render assistance in this direction. But, it is advisable that entrepreneur himself prepares the report. This is so because, the process of preparing the project report enables him to interact with realities and makes him aware of what to expect in future in actually implementing the project. It is a kind of 'drill' or a good 'training' before jumping into a venture.

Contents of the Project Report

A project report may be prepared in different ways by different entrepreneurs. There is no standard pattern for it. However, it must contain

all information necessary to appraise it and take a financial decision by lending institutions. The amount of information to be furnished in the report depends upon the size of the unit, the nature of production and the amount of finance required.

The following guidelines will help an entrepreneur to prepare a report generally for establishing a small scale unit. The relevant information should be given under the following heads:

- General Information
- Project Description
- Market Potential
- Capital Costs and Sources of Finance
- Assessment of Working Capital Requirements
- Financial Consideration
- Economic and Social Considerations

(I) General Information

To start with, some basic information should be provided. These include:

- Name and address of the entrepreneur.
- Qualification, experience and capabilities of the entrepreneur.
- Profile of the industry to which the project belongs.
- Constitution and organisational structure of the enterprise - whether sole trader or partnership and if partnership, whether registered or not.
- Registration certificate from the Directorate of industries DIG. whether obtained or to be obtained.
- Range of products to be manufactured and their utility.
- Competitive advantages of the proposed product over its substitutes.

(II) Project Description

Under this head, a brief particulars of the project should be given in the report. Generally, the particulars relate to the following:

A. SITE

- The proposed location with full address like town, street number etc.
- Whether owned or leasehold land.
- Whether approved industrial area or not
- Details of total area, open/covered area
- If in a residential area, whether no objection certificate has been obtained from the Corporation / Municipal authorities.
- Rationale for selecting the area.

B. INFRASTRUCTURE

- The physical infrastructure available for the proposed project should be given with special reference to the following:

C. RAW MATERIALS

- Availability of raw materials, their quality and feasibility of procuring the same regularly if imported raw materials are to be used, whether licence has been obtained
- sources of raw materials
- calculation of the raw material stock to be maintained according to their availability
- total value of raw material requirement in one year

D. SKILLED LABOUR AND PERSONNEL REQUIREMENTS

- Whether skilled labour is required
- If required, whether it is available in that area?
- If not. Arrangements to be made to train labourers
- Factory staff, their number, monthly and yearly emoluments
- Administrative staff, their number, monthly and yearly emoluments
- Sales staff, their number and yearly emoluments

E. CONSUMABLES UTILITIES

- The cost of utilities like power / water / fuel, coal/oil etc.
- Whether adequate supply of electricity, fuel, water etc. Is available
- The alternate arrangements to be made in the case of inadequate supply of power, fuel and water

F. DISPOSAL OF WASTE

- Whether the project involves production of waste material or emissions
- Whether the emission relates to gaseous (smoke, fumes etc.) Or physical (noise, heat, dust etc.) Or liquid / solid discharge through sewers
- Provision for dumps, sewage system and sewage treatment plant

G. TRANSPORTATION AND COMMUNICATION

- The distance over which raw materials will have to be transported
- Available as well as potential means of transportation
- Problems that may arise in transportation
- Available communication facilities like telephone, telex etc.

H. MACHINERY EQUIPMENT & COMMON FACILITIES

- A complete list of all items of machinery and other equipment already purchased and to be purchased indicating their type, size and cost
- sources of supply of capital equipment and the construction service
- The installed licensed capacity equipment and the construction services
- Whether the unit will be run on shift basis, and if so on single, double or triple shift
- Availability of common facilities like machine shops, welding shops, electrical repair shops etc.

I. MANUFACTURING PROCESS AND TECHNOLOGY

- Various stages of production and the process involved in each stage
- The period required for converting raw materials into finished products
- Presentation of process flow chart indicating the sequence of processes of production
- The technology used indicating whether it is up-to-date and appropriate
- The arrangement to be made to acquire the required know-how,

J. BALANCING OF PLANT AND QUALITY

- Whether the capacity of various plants at different stages of production is uniform? Whether there would be a demand for balancing equipment at a later stage due to increase in capacity?
- Whether adequate system has been designed to check the quality of products on a continuous basis
- Probability of obtaining quality marks like 'iso' 'q' or 'agmark' for the products with a view to creating confidence among consumers.

K. RESEARCH AND DEVELOPMENT

- Steps to be undertaken for the improvement of the quality of the product
- whether any research cell would be set up to study and suggest improvement in the quality of existing products?

(III) Market Potential

It is very vital that the prospective entrepreneur should state in his project report the potentialities for the marketing of his products. It is preferable

to prepare a detailed market survey report providing information about demand and supply position, competitors' position, price expected etc. It is advisable to obtain a few letters from future clients, machinery/raw material suppliers to make the project report more credible. However, the following^ aspects relating to market potential should be given in the report:

A) DEMAND AND SUPPLY POSITION

- Total expected demand, for the proposed produced
- The supply position of that product in the market
- The gap between demand and supply and how much of this gap will be met by the proposed unit
- Production programme for three years on the basis of market estimate

B) COST AND PRICE POSITION

- An estimate of manufacturing and other administrative expenses.
- An estimate of the price expected
- Competitor's present selling price
- an assessment of the margin of profit on the basis of cost and price estimates.

C) MARKETING STRATEGY

- The strategy to be allotted for selling the the products
- Whether there is any trade agreement with reputed suppliers and distributors for clearing the production?
- Whether there is any arrangement to use the trade mark of reputed companies on the proposed products?

D) AFTER-SALES SERVICES

- The necessity of providing after-sales service to win the confidence of customers and earn a good name
- The arrangements proposed to be made for providing after-sales service.

E) SEASONALITY AND DEMAND

- Whether the sale of the proposed product is seasonal?
- If so, arrangements proposed to be made for storing or stocking of the goods during off season
- The arrangements to be made for transportation of goods either through public carrier or its own transport
- If own transport, the probable cost and the amount of assistance required.

(IV) Capital Costs

An estimate of the capital expenditures to be incurred by the unit on various items should be given in the report. This estimation should be scientific, realistic and accurate, since, many units are found to be running serious problems due to faulty and inadequate estimates of funds requirements made at the initial stage. The various components of capital items may relate to the following:

- Land and building costs
- Costs on plant and machinery
- Installation charges
- Other miscellaneous assets like furniture and fixtures, vehicles, tools, patterns etc.
- Preliminary expenses and preoperative expenses
- Contingency provision against future rise in price or to meet
- Unforeseen expenditures
- Margin for working capital

(V) Sources of Finance

The report should also include probable sources of finance also. They include:

- Owner's contribution towards the' proposed venture
- Capital subsidies from State / Central Governments if any
- Loans and deposits proposed to be raised
- Credit limits expected from financial institutions
- Finance from friends and relatives
- Adequacy of total funds available to meet the total cost of the project

(VI) Assessment of Working Capital Requirements

As already slated, while estimating the capital costs, margin for working capital has to be taken into account, since, no unit can function without the availability of adequate working capital finance. Hence, the estimate of the working capital requirements should be made and shown with the total cost of the project itself. Even though some formats for working capital assessment have been designed, most of the entrepreneurs have a tendency to present their working capital requirements' in their own way. It leads to recasting of these estimates as per the requirements of financing agencies. This involves wastage of time and creates more problems also. Hence, entrepreneurs are advised to present the data in the prescribed form. The working capital calculation involves the following:

- Expenditures to be incurred on raw material stock
- Expenses on goods under process
- Costs involved in finished goods stock

- Expenses on stores and spares
- Expenses of recurring nature which are mostly in the forms of monthly expenses.

(VII) Financial Considerations

The proposed project would earn sufficient livelihood only when it is financially sound and the products to be taken up for production are profitable. Moreover, the project must be able to retrieve the investments made within its life cycle. For this purpose, a projected profit and loss account should be prepared. It would indicate likely sales revenue, cost of production, other expenses and profit. All these estimates should be made on a realistic basis.

(VIII) Economic and Social Considerations

It is also desirable to mention the abatement costs, i.e., the costs to be incurred for controlling the environmental damage like pollution, effluents, emissions etc. The abatement cost will involve the value of the additional engineering and technology needed for treating effluents and emissions.

Again, the socio-economic benefits that may accrue should also be specifically stated in the report. The examples of some of these benefits are given below.

A. Promotion of Employment

The number of persons proposed to be employed in relation to the employment situation of that area may be mentioned.

B. Import Substitution

The extent to which and the manner in which the proposed unit would achieve import substitution and the probable benefits that may be expected can be mentioned in the report.

C. Promotion of Ancillaries

Whether the unit would promote ancillary units to meet its sub-contracting requirements in case the unit requires sub-contracting functions? It must be specifically given in the report.

D. Export Potentials

Whether the unit has export potentials and to what extent its products could be exported to other countries should be mentioned in the report.

E. Utilization of Local Resources

The possibility of utilizing the local resources, which are presently a waste, should be stated in the report.

F. Development of the Area

To what extent the establishment of the unit will bring out an overall development of the local area should also be mentioned in the report.

5.9 SUMMARY

In this unit we learn about important concept of project management. It discusses on concept of project management, project identification and project feasibility analysis. This unit also discusses on project report, it elaborates in detail contents of project report.

5.10 EXERCISE

A. Fill in the blanks with appropriate option.

1. _____ is the planning and organization of a company's resources to move a specific task, event, or duty towards completion
 - (a) Project Management
 - (b) Project Initiation
 - (c) Feasibility Analysis
 - (d) Project Report
2. In the steps of Project identification, Once the zero in process of project selection is done, the last step is creating a _____
 - (a) Project Design
 - (b) Blue Print in form of Project Report
 - (c) Feasibility Analysis
 - (d) Network Diagram
3. _____ simply refers to the adequacy of the proposed plant and equipment to produce the product as per the required norms
 - (a) Market Feasibility
 - (b) Financial Feasibility
 - (c) Technical Feasibility
 - (d) Manpower Feasibility
4. The economic viability of a project can be assessed through projections of _____ for a period ranging from 3 to 10 years.
 - (a) Cash Flow
 - (b) Assets
 - (c) Liabilities
 - (d) Profitability
5. _____ step in Project Identification can help the entrepreneurs to understand forces that influence the business decisions.
 - (a) Preliminary Evaluation
 - (b) Environmental Scanning
 - (c) Idea Generation
 - (d) Project Selection

[Answers: 1-a Project Management , 2-b Blue Print in form of Project Report, 3- c Technical Feasibility Analysis, 4-d Profitability, 5-b Environmental Scanning]

B. State whether the following statements are True or false

1. Market Feasibility covers analysis of demand and supply position.
2. In order to make the project identification, entrepreneur has to strive hard in terms of seeking the best opportunity
3. In Project management, “Monitoring and Controlling phase” begins immediately after Planning Phase
4. Project planning also records the personnel requirements.
5. Projected Balance sheets are made under Managerial Feasibility Analysis.

[Answers: 1-True, 2-True, 3-False, 4-True, 5-False]

C. Match the following:

“A”	“B”
1. Project Report	a) Select or reject the Project
2. Project Feasibility Analysis	b) Blueprint of a business
3. Environmental Scanning	c) Demand and Supply Position
4. Market Feasibility	d) First phase in Project Management
5. Initiation	e) Forces influencing business decisions

[Answers: 1-b, 2-a, 3-e, 4-c, 5-d]

D. Answer the following questions:

1. What is Project Management? Explain its phases.
2. Describe the concept of Project Identification and steps involved in it.
3. Explain the concept of Project Feasibility Analysis and discuss its importance.
4. What is Project Report? What are its Contents?

ASSISTANCE AND INCENTIVES FOR PROMOTION AND DEVELOPMENT OF ENTREPRENEURSHIP - I

Unit Structure

- 6.0 Objective
- 6.1 Introduction
- 6.2 Incentives
- 6.3 Summary
- 6.4 Exercise

6.0 OBJECTIVE

Entrepreneurship refers to an entrepreneur's ability and actions. Entrepreneurship, on the other hand, is the study of taking calculated risks in both starting a new business and managing it effectively and efficiently.

Khanka says, "Entrepreneurship is a process including numerous acts to be completed in order to build an enterprise,"

The main objective of Assistance and Incentives for Promotion and Development of Entrepreneurship are -

1. To be free of financial limitations
2. In order to achieve regional development parity,
3. To improve ability to compete
4. Assistance with marketing training
5. Schemes of promotion
6. Analyse the environmental set up relating to small industry and small business

6.1 INTRODUCTION

The government offers a variety of incentives to entrepreneurs. These incentives aid in productivity growth. It serves as a source of inspiration for the entrepreneur. Concessions, subsidies, and bounties are the three types of incentives. Subsidies are a one-time lump sum payment made by the government to the entrepreneur. It is a financial assistance to help with the costs. Bounty is a financial aid given to a firm so that it can compete with other businesses in the country as well as overseas businesses in the same field.

Government Policies and Schemes for Entrepreneurship

- More active business behaviour
- Worked longer hours
- Made more definite attempts to start new business ventures and also started new ventures.
- Made specific investment in new fixed productive capital
- Employed more workers.
- These entrepreneurs tended to achieve relatively larger percentage increases in their gross incomes and thus demonstrated increased entrepreneurial activity.

Emergence of EDI

- 1969 - Birth of training efforts for entrepreneurial promotion in the country. GIIC, GIDC- credit and infrastructural facilities. 100% finance without collateral liability.
- 1970 – Realization of vast potential in the country. GIIC along with other state level agencies like GIDC, GSFC and GISDC launched 3 month training programme.
- 1978 – Gujarat experiment ---Ford Foundation encouraged testing EDP in some other states.
- 1979 – Recognition of need for having a separate state level organization. Gujarat centre for ED came into existence.
- 1981 – Many development agencies organized their own EDP's. Gujarat CED – national resource and support organization – support for education, training, research and capacity building.
- 1983 – IDBI (apex financial institution) collaborated with other banks and established EDI of India in April 1983

6.2 INCENTIVES

The government assists entrepreneurs in developing innovative businesses that lead to economic growth. They are the driving force behind a potential entrepreneur's decision to start a firm. As a result, they contribute to the nation's growth by ensuring a balanced regional development. Offering incentives will not only drive them to stay in the firm longer, but will also assist in achieving the essential GDP growth for the nation's development.

Incentives Examples –

Industrial estates, industrial complexes, electricity availability, concessional finance, capital investment subsidy, and transportation subsidy are only a few examples of incentives to help businesses in the small scale industry overcome their challenges

6.2.1 NEED

1. **Economic control delegation**

Incentives encourage aspiring entrepreneurs to start businesses, resulting in the concentration of economic power in a few hands.

2. **Regional progress that is well-adjusted**

Entrepreneurs who build industries in underdeveloped areas are given incentives. As a result, industries are dispersed over India's geographical area, contributing to regionally balanced development.

3. **Technological Revolution**

Incentives aid in the transformation of old technology into new technology. Traditional technology is marked by a lack of skill, low productivity, and low wages, whereas modern technology is marked by better skills, high productivity, higher earnings, and a greater quality of living.

4. **Outperforms Complicated Situations**

Entrepreneurs are offered a bundle of incentives and exemptions for establishing businesses in both underdeveloped and developed areas. However, it is typically allocated for the purpose of establishing units in a backward area. It is supplied to compensate for the drawbacks that exist in such locations.

5. **Encourages the development of industry**

Incentives are used in industrial policy to address market defects as well as to speed up the country's industrialisation process. Regional balances can also lead to more efficient use of regional resources, reduced income and living-standard discrepancies, and a more connected community.

6. **Encourages the development of new businesses**

Because of the lack of infrastructure, new entrants in the area confront numerous challenges. The government agencies assist the new entrepreneur by providing numerous incentives. An entrepreneur who is fresh to the market may lack marketing and entrepreneurial skills. To compete with competition, an entrepreneur requires government assistance. Subsidies and concessions both financially and non-financially stimulate entrepreneurs and foster entrepreneurship in the country by reducing economic barriers.

7. **Strategies for Overcoming Rivalry**

Incentives assist the entrepreneur in surviving and competing with rivals. Some of the incentives are aimed at ensuring the survival and expansion of businesses. Several incentives are only available for the first few years after the unit is established, while others are available for a long time.

6.2.2 PROMOTION AND DEVELOPMENT ENTREPRENEURSHIP –

Promotional agencies are organisations that are dedicated to assisting or assisting entrepreneurs in the start-up of their businesses. They essentially advertise the firm using numerous techniques in order for the entrepreneur to withstand the initial difficulties that every business encounters. Furthermore, the majority of the strategies employed by advertising companies are proven and true, ensuring that the entrepreneurs gain.

The development of entrepreneurship is critical for any country's economy to flourish and prosper. As a result, the government has established a number of entities to assist, promote, develop, and support entrepreneurs. Entrepreneurs are also given training to better their business and market expertise, develop their skill set, and develop a businessman attitude.

The central government has established a number of promotional agencies, including:

1. Small industries development organization (SIDO)
2. Management development Institute (MDI)
3. Entrepreneurship development institute of India (EDI)
4. All India Small Scale Industries Board (AISSIB)
5. National Institution of Entrepreneurship and Small Business Development (NIESBUD), New Delhi)
6. National Institute of Small Industries Extension Training
7. National Small Industries Corporation Ltd. (NSIC)

Governments spend a lot of money to foster entrepreneurship growth because it is so crucial. In order to assure regional development, they also support businesses in rural and underdeveloped areas. They established a number of programmes to assist entrepreneurs with marketing, finance, technique, and skill development in order to help them accelerate and adapt to changing business trends.

1. Small industries development organization (SIDO)

SIDO was founded in October 1973 and is presently administered by the Ministry of Trade, Industry, and Marketing. SIDO is the apex organisation at the central level for making policies for the development of small scale industries in the country, and it is led by the Additional Secretary and Development Commissioner (Small Scale Industries) under the Ministry of Small Scale Industries of the Government of India. SIDO is contributing significantly to the strengthening of this critical industry, which has proven to be one of the country's strongest economic cornerstones. SIDO also offers further assistance through its Comprehensive Plan for Rural Entrepreneurship Promotion.

2. Management development Institute (MDI)

Gurgaon is home to MDI (Haryana). It was founded in 1973 and is funded by the Industrial Finance Corporation of India, with the goal

of increasing the industry's managerial performance. It offers managerial training in a variety of sectors. It also contains programmes for officers from the IAS, IES, BHEL, ONGC, and a number of other major public sector organisations.

3. Entrepreneurship development institute of India (EDI)

The IDBI Bank Ltd., IFCI Ltd., ICICI Bank Ltd., and the State Bank of India fund the Entrepreneurship Development Institute of India (EDI), an autonomous and not-for-profit institute founded in 1983. (SBI). EDI has aided in the establishment of twelve state-level entrepreneurship development centres and institutes. However, one of the most satisfying results was incorporating entrepreneurship into the curricula of a huge number of schools, colleges, science and technology institutions, and management schools throughout numerous states. In the international arena, EDI has received recognition and support from the World Bank, Commonwealth Secretariat, UNIDO, ILO, British Council, Ford Foundation, European Union, and ASEAN Secretariat and several other renowned agencies. EDI has also set up Entrepreneurship Development Centre at Cambodia, Lao PDR, Myanmar and Vietnam and is in the process of setting up such centres at Uzbekistan and five African countries.

4. All India Small Scale Industries Board (AISSIB)

The Small Scale Industries Board (SSI Board) is an apex advisory body tasked with advising the government on all problems affecting small businesses. It is led by a Central Government Minister and includes representatives from the Central Government, State Governments, National Small Industries Corporations, State Financial Corporations, Reserve Bank of India, State Bank of India, Indian Small Industries Board, and non-government members such as the Public Service Commission, Trade and Industries Members.

5. National Institution of Entrepreneurship and Small Business Development (NIESBUD), New Delhi

The Government of India founded it in 1983. It is the highest organisation in charge of overseeing the actions of numerous entities involved in entrepreneurship development programmes. The Government of India Society Act of 1860 established it as a society. The institute's main operations are:

- i) To devise and implement successful plans and approaches
- ii) To create a model training syllabus that is consistent.
- iii) Create training materials, tools, and instructions
- iv) Workshops, seminars, and conferences will be held.
- v) To assess the benefits of EDPs and to boost the entrepreneurial development process.

- vi) Assisting the government and other agencies in the implementation of entrepreneur development programmes.
- vii) To conduct EDP research and development.

6. National Institute of Small Industries Extension Training

It was founded in 1960, and its headquarters are in Hyderabad. The following are the key goals of the National Institute of Small Industries Extension Training:

- i) Developing and coordinating syllabi for small business training.
- ii) Guidance on managerial and technical matters.
- iii) Putting on workshops for small business owners and managers.
- iv) Providing research and documentation assistance.

7. National Small Industries Corporation Ltd. (NSIC)

The NSIC was founded by the Central Government in 1995 with the goal of aiding small businesses in government procurement programmes. Through its marketing network, the organisation provides a large market for the products of small businesses. It also aids small businesses in exporting their goods to other countries.

Apart from the aforementioned, promotional agencies' main goals are as follows:

- Establishment- promotional agencies assist entrepreneurs in setting up and establishing their businesses.
- Funding- promoting agencies assist firms in obtaining the cash or investment they require to launch their operation. Financial aid is necessary for any firm to get off the ground, and the organisations may help.
- Market research and availability—Market research programmes run by promotional organisations can assist new entrepreneurs in gaining control of changing market trends. This is critical, especially in the first phases.
- Industry trends—through their network and experience, promotional agencies may assist new-age entrepreneurs in learning about the newest market trends and the ever-increasing demand for better products and services.

8. Make in India

Prime Minister Narendra Modi introduced Make in India, a ground breaking project of the Indian government, in 2014. Its goal is to improve the country's local manufacturing capabilities. In addition, Make in India intends to promote both domestic and foreign investment in the country. The initiative aims to make India a global manufacturing hub and provide employment possibilities by revitalising the country's sagging manufacturing industry. It is also a comprehensive programme that encompasses everything from jobs

to development to sanitation. Several support programmes for the Make in India movement have also been launched, including:

- India's Expertise
- India has gone digital.
- India is a startup nation.
- Cities that are smart
- Jan Dhan Yojana of Pradhan Mantri
- Atal Mission for Urban Transformation and Rejuvenation
- Sagarmala
- The International Solar Alliance's Swachh Bharat Abhiyan is accelerating the growth of New India's innovation.

9. STEP (Support to Training and Employment Programme for Women)

The STEP scheme aims to provide women in India with necessary employability skills and competence. Its goal is to empower them by providing unique self-employment options. Handlooms, stitching, food processing, horticulture, agriculture, Zari, Embroidery, Technology, Handicrafts, and Tailoring are among the industries covered. Let's have a look at the STEP eligibility criteria:

Women above the age of 16 are eligible for the programme.

Non-government or voluntary organisations formed as an autonomous organisation under a particular legislation or as a Society under the Societies Registration Act of 1860.

Cooperative Societies are groups of people who work together to achieve a common goal.

Non-profit or volunteer organisations that promote the program's goals through credibility, funding, and experience.

10. Digital India

It's a programme that aims to boost the country's technological capabilities. It's best to think of it as an umbrella programme that protects a variety of government agencies and ministries. It brings together a diverse set of concepts and ideas to form a comprehensive vision. Digital India promises to give the nine growth elements a much-needed boost, including:

- Highways with high-speed internet
- Program for public internet access
- Mobile connectivity is available to everyone.
- E-governance

- E-Kranti is an electronic service delivery system.
- Using technology to reform government
- Manufacturing of electronic components
- Early harvesting plan
- IT in the Workplace

As we can see above, for any entrepreneur to set up and establish their venture, promotional agencies are needed. Their experience and support helps in entrepreneurship development.

Other related Activities

- Promotional Schemes:
- Reservation of items for specific manufacture in the small-scale region
- Enhancement of funding limit for export oriented/ high-tech objects reserved for manufacture in small-scale sector
- Price and buy desire scheme
- Protection from opposition Items of stores reserved for unique purchase
- Foreign direct investment
- Infrastructural facilities Industrial boom centres
- Export processing zone
- Industrial parks
- Integrated infrastructure improvement centres cluster improvement programme National programme for rural industrialization.

6.2.3 STEPS TAKEN FOR DEVELOPMENT OF ENTREPRENEURSHIP IN INDIA

1. The Progressive Industrial Policies Declaration

Industrial policies were established by the central government in 1948, 1956, 1980, 1986, and 1991, with adjustments made from time to time. SIDO, National Small Industries Corporation Ltd., Small Industries Extension Training Institution, National Entrepreneurship and Small Business Development Institute, Entrepreneurship Development Institute of India (EDII), and others have been established by the government to achieve policy aims. As a result of all of this, old entrepreneurs have not only begun to work more freely, but they have also begun to benefit from a stable and healthy industrial environment.

2. Procedure for Licensing Simplified

Only six industries are now required to get government permits. It has been exempted from all other industries. Procedures for acquiring a licence and other relevant formalities have been streamlined. Furthermore, the time it takes to receive a licence has been significantly decreased.

3. Overly Liberal Economic Policies

The central government has made its economic policies, such as export-import policy, taxation policy, fiscal policy, and monetary policy, excessively liberal, resulting in the country's entrepreneurship development.

4. Establishment of Development Institutions

The Indian government has established a number of development institutions to promote entrepreneurship. Entrepreneurs can get help from organisations like the National Industrial Entrepreneurship Development Centre, the National Entrepreneurial and Small Business Development Institute, the Entrepreneurship Advisory Organization, the State Small Industries Development Corporation, and the Small Industries Service Institute, among others.

5. Development of Industrial Estates/Areas

In several states, the government has constructed numerous industrial areas/estates where private entrepreneurs have established their businesses. The government has enticed entrepreneurs to set up new businesses in these industrial regions by providing land, transportation, banks, warehouses, water, and power, among other things.

6. Development of Training Facilities

The government of India, banks, financial institutions, and management institutions have all developed training institutions to conduct training programmes to help entrepreneurs develop their skills. In addition, small industries development organisations (SIDO), small industries service institutes, and district industries centres give entrepreneurs with information on project development, enterprise management, and innovative manufacturing processes, among other things.

7. Technical and Vocational Education Development

Both the federal and state governments have built technical and vocational education centres where vocational education is provided. Technical and vocational education has been implemented at the school, college, and university levels, where teaching is provided on topics such as entrepreneurial development, entrepreneurial feelings, and facilities and procedures for establishing small businesses, among other things. The Indian government's current education policy emphasises vocational and technical education over the importance of a degree, and open universities have been developed to support this goal. Aside from that, management schools offer vocational education and training in business and industry management.

8. Science and Technology Parks

Science and technology parks have been built in India to help entrepreneurs develop their businesses. The Indian Industrial

Development Bank is working on these parks. Bank has established an entrepreneurial park and industrial parks.

9. Seminars and Workshops Organization

Entrepreneurial development seminars and workshops are held in India and other nations.

10. Literature Creation

In the country, seventeen technical advisory groups have generated and published relevant literature for entrepreneurship growth.

11. National Awards

A national awards programme has been established to encourage small business owners.

12. Product-Specific Policies Declaration

For the development of new and established entrepreneurs, the government has announced product-specific policies. Textile policy, electronic policy, drug policy, and so on is examples. As a result, entrepreneurs will be encouraged and profited in terms of industry innovations, the use of new commodities, the use of new methods for producing new commodities, and the search for and development of new markets.

13. Establishment of a Unit to Assist Entrepreneurs

In 1966, the Government of India established an Entrepreneur Unit within the Industries Development Department.

The following are its functions:

1. This unit assists with the implementation of the Industries (Development and Regulation) Act of 1951, international collaboration, capital goods importation, and the provision of information on foreigners of Indian origin.
2. This unit also keeps entrepreneurs updated on the status of their applications.
3. This team works to handle entrepreneur issues through several government agencies.

14. Special Plans

Aside from the self-employment scheme, the government is implementing various other schemes for entrepreneurial development, such as a guarantee scheme for small industries, margin money scheme, rehabilitation of sick units scheme, government purchase scheme, and the scheme for the availability of machinery to entrepreneurs on higher purchase.

6.2.4 TYPES OF ASSISTANCE AND INCENTIVES

The Indian government offers a variety of business subsidies and incentives in order to foster a thriving business community and create jobs. It is critical for any entrepreneur running a start-up or an established

business to be aware of these subsidies and incentives in order to take advantage of them while making capital expenditures in order to lower capital costs, lower interest burdens, and achieve break-even faster.

Following are the types of Assistance and incentives provided by government

FISCAL ASSISTANCE AND INCENTIVES –

1. Three-year tax holiday:

In order to provide entrepreneurial projects a much-needed boost, the government declared in the union budget 2016-17 that for the first three years of operation, the government will allow a deduction of 100 percent tax exemptions. The three-year tax incentives are only available to enterprises who are registered as start-ups with the Department of Industrial Policy and Promotion (DIPP) and are involved in the innovation, deployment, development, or commercialization of innovative products and services driven by technology. Furthermore, save for MAT, qualifying start-ups would not have to pay any tax on profits for the first three years (Minimum Alternate Tax).

2. Capital Gains Tax Exemption of 20%:

Capital gains taxes are levied on income made from the sale of capital assets such as stocks and bonds. The government has lately introduced a provision for a 20% capital gains tax exemption. The start-ups had been clamouring for this option for a long time. Most investments in Indian start-ups were forced to go through Mauritius before this provision since the capital gain tax on investments made there was waived due to stipulations in the Double Tax Avoidance Treaty.

3. Turnover Taxes:

New manufacturing enterprises are subject to a 25% tax, plus a cess and surcharge, imposed by the government. Companies with annual revenues of less than \$50 million, on the other hand, must pay a 29 percent tax. Small and medium-sized businesses having a revenue of less than Rs. 50 crore are taxed at a rate of 25%. Furthermore, the time limit for claiming profit-related tax exemption has been extended from 5 to 7 years. The government's action will benefit around 6.67 lakh businesses across the country.

4. Government contribution to EPF:

The government will now contribute 8.33 percent to EPF (Employees' Provident Fund) for a three-year term. Previously, the contribution was 12 percent of the employee's basic wage. This action will ease many firms by lowering beginning expenses by 12% for the next three years, as well as providing possibilities to attract qualified people because candidates will have job stability. Many businesses have begun to register with EFPO in order to take advantage of the perks.

5. Presumptive tax:

Keeping books of account is required of all business owners. However, under the Presumptive taxation model, keeping books of account is not essential, reducing the load on the business. This scheme is open to anyone with an annual income of at least 8%. However, if a person's income is greater than 8%, a higher rate can be declared. Furthermore, this scheme is available to all small business owners with a turnover of up to Rs 2 crore and professionals with a gross income of up to Rs 50 lakh. All of these initiatives were announced in the Union budget 2016-17 as part of the government's "Start-up India" push. These policies were created with the goal of providing a much-needed boost to aspiring entrepreneurs. It is a subsidiary of the 'Make in India' scheme, with the goal of creating more jobs in India. This start-up tax reform will undoubtedly provide start-ups a much-needed boost.

6.2.5 FINANCIAL SUPPORT BY MINISTRIES / DEPARTMENTS / ORGANIZATIONS:

1. Ministry of Small Scale Industries:

It has a number of financial assistance programmes for small-scale businesses. There is a Credit Linked Capital Subsidy Scheme in place to help these units upgrade their technology. Another scheme reimburses units for the costs of obtaining ISO 9000/ ISO 14001 certification.

2. Ministry of Non-Conventional Energy Sources:

This ministry promotes renewable energy technology development and manpower development through research and development.

3. Ministry of Food Processing Industries:

The Ministry of Food Processing Industries provides financial assistance ranging from 25% to 33.33 percent of project cost for modernization of the food processing sector, technical up gradation of units, and other projects.

4. Small Industries Development Bank of India (SIDBI):

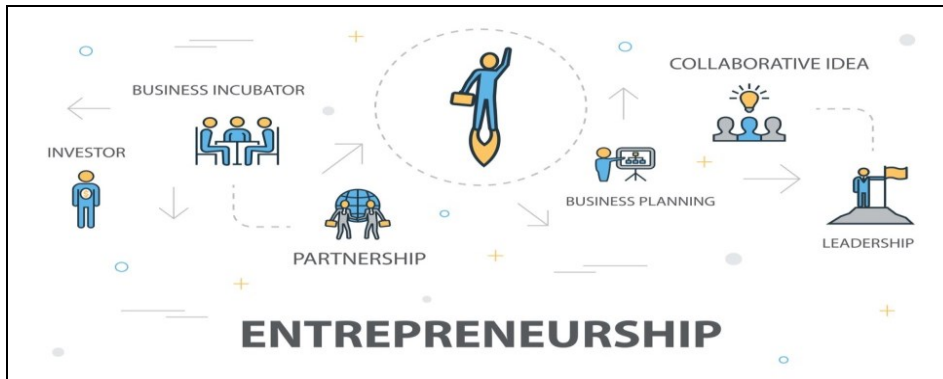
The bank helps small-scale organisations with financing and other support systems in order to modernise and upgrade their operations.

5. State Financial Corporations that Provide Specialized SSI Schemes:

These state-level financial corporations assist in the promotion of small and medium-sized businesses by providing entrepreneur-friendly programmes such as loans, special financing, and seed capital to meet the needs of various types of entrepreneurs.

PROMOTIONAL ASSISTANCE FOR ENTREPRENEURSHIP DEVELOPMENT

Assistance and Incentives
for Promotion
and Development
of Entrepreneurship - I



Source - <https://okcredit.in/blog>

Promotional agencies are organisations that are dedicated to assisting or assisting entrepreneurs in the start-up of their businesses. They essentially advertise the firm using numerous techniques in order for the entrepreneur to withstand the initial difficulties that every business encounters. Furthermore, the majority of the strategies employed by advertising companies are proven and true, ensuring that the entrepreneurs gain.

The various promotional agencies set up by the central government include:-

- Small industries development organization (SIDO)
- Management development institution (MDI)
- Entrepreneurship development institute of India (EDI)
- All India small scale industries board (AISSIB)
- National Institution of Entrepreneurship and small business development (NIESBUD)
- National Institute of Small Industries Extension Training
- National Small Industries Corporation Limited (NSIC)

(All the above have been explained in detail in 4.3)

MARKETING ASSISTANCE SCHEME - MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

The scheme's various objectives are as follows:

- To improve MSMEs' marketing capacity and competitiveness.
- To highlight the capabilities of MSMEs.
- To keep MSMEs informed about the current market situation and how it affects their operations.

- To make it easier for MSMEs to form consortia for the marketing of their goods and services.
- MSMEs would be given a venue to communicate with major institutional customers.
- To disseminate/promote the government's numerous programmes.
- To improve the marketing skills of micro, small, and medium-sized businesses.

Maximum amount of assistance towards air fare, space rental & shipping/transportation charges for General Category (except Enterprises belonging to NE Region/women/SC/ST Category)

	Latin America	Other Countries
Micro Enterprises	Rs. 2.40 lakh	Rs. 2.00 lakh
Small Enterprises	Rs. 2.10 lakh	Rs. 1.75 lakh
Medium Enterprises	Rs. 1.25 lakh	Rs. 1.00 lakh

Advertisement, Publicity and theme pavilion: 20% of the total subsidy admissible under the above four sub-heads subject to a maximum of Rs. 20 lakh.

6.2.6 MAREKTING AND ORGANISATIONAL ASSISTANCE FOR ENTREPRENEURSHIP DEVELOPMENT

NSIC is a government of India enterprise under the Ministry of Micro, Small and Medium Enterprises (MSME). The aim of NSIC is to promote, assist, and support the growth of SSI and MSME firms in India. Marketing is a critical aspect in determining a company's success. Large corporations have a wealth of marketing resources at their disposal. SSI and MSME units, on the other hand, lack the resources and assistance to engage in marketing operations on par with large corporations. As a result, under the NSIC marketing support scheme for SSI and MSME units, NSIC provides the following benefits to help SSI and MSME units compete on an equal footing with large businesses:

1. Participation in international technology exhibitions conducted by NSIC in other countries

Renting exhibition space at trade shows or exhibitions can cost up to 75% of the actual costs. SSI or MSME Enterprises from the Northeast, or Women or SC/ST Entrepreneurs, can receive up to 95% of the actual charges.

Freight: Actual costs, up to a maximum of Rs.25,000/- per entrepreneur for goods shipped.

Airfare: Up to 75% off the return economy class fare (for one representative from one business). SSI or MSME Enterprises from the Northeast, or Women or SC/ST Entrepreneurs, can receive up to 95% of the actual charges.

The foregoing subsidies are limited to Rs.2.25 lakhs for Micro Enterprises, Rs.2.00 lakhs for Small Businesses, and Rs.1.50 lakhs for Medium Businesses.

2. Participation in international trade shows and exhibitions staged in other countries-

Renting exhibition space at trade shows or exhibitions can cost up to 75% of the actual costs. SSI or MSME Enterprises from the Northeast, or Women or SC/ST Entrepreneurs, can receive up to 95% of the actual charges. Freight: Actual costs, up to a maximum of Rs.20, 000/- per entrepreneur for goods shipped. Airfare: Up to 85% off the return economy class fare (for one representative from one business). SSI or MSME Enterprises from the Northeast, or Women or SC/ST Entrepreneurs, can receive up to 95% of the actual charges. Other Subsidies: Up to Rs.5 lakhs in advertisements, promotions, and theme pavilion can be used with 20% of the granted subsidy.

3. Co-sponsorship of exhibitions put on by other organisations, trade associations, or government agencies –

To promote MSMEs in the country, NSIC can co-sponsor and participate in exhibitions or trade fairs organised by other organisations, industry associations, or government agencies. To be eligible for NSIC co-sponsorship, the fair must have a covered space of at least 5000 square feet dedicated to stalls/shops and at least 50 MSME units participating. Furthermore, the organiser must supply NSIC with a stall of at least 100 square feet to spread information about the Ministry's promotional and other schemes. The following is the amount of co-sponsorship:

In the case of 'A' class cities, the amount is Rs.5 lakh.

In the case of 'B' class cities, the amount is Rs.3 lakh.

In the case of 'C' class cities, the amount is Rs.2 lakh.

In the case of rural areas, the sum is Rs. 1 lakh.

The sponsorship should be used for expenses such as hiring an exhibition ground/hall, erecting stalls, publicity, and so on, and should not exceed 40% of net expenditure (gross expenditure – total income).

4. Attendance at Buyer-Seller Meetings –

Buyer-Seller meetings are held to bring together large purchasers and government departments with SSI and MSME firms on a same platform. The NSIC normally organises Buyer-Seller Meets in collaboration with interested parties, such as industry groups and other government agencies. The NSIC schedules buyer-seller meetings well in advance and makes them well known. For SSI or MSME units belonging to Entrepreneurs from the Northeast Region or Women or SC/ST categories participating in Buyer-Seller Meets, the following support is available:

- Micro Enterprises: 95%
- Small Enterprises: 85%
- Medium Enterprises: 50

5. Marketing Promotion Events and Intensive Campaigns -

Promotion events are held all across the country to provide information on the benefits of MSMEs, where knowledge of innovations, quality standards, and company development are exchanged. The scheme offers the following assistance:

- Rs.80, 000 in case of 'A' class cities.
- Rs.48, 000 in case of 'B' class cities.
- Rs.32, 000 in case of 'C' class cities.
- Rs.16,000 in case of rural areas

The NSIC is the authorised entity who has approval authority and screening every event. The administrative charges will either equally shared between MSME and NSIC or by MSME alone.

6.3 SUMMARY

This unit focuses on various incentives and promotion schemes available in India for entrepreneurship. The Government of India had done a great a job in development of ecosystem of entrepreneurship by providing support at ministerial level, launching various schemes providing financial, promotional and marketing support to the upcoming entrepreneurs.

6.4 EXERCISE

Match the column -

Group A

1. Internet Subsidy
2. Training
3. SIDO
4. DIC
5. Promotion

Group B

- A. Small Business Development
- B. Term Loans
- C. Region Development
- D. Marketing
- E. Assistance

Ans. (1- B, 2 – D, 3 – A, 4 –C, 5- E)

Questions -

- 1) What do you mean by using the time period subsidies and incentives?
- (2) Explain the unique sorts of incentives
- (3) What is a want for incentives and subsidies?
- (4) Explain the different, incentives and amenities to Entrepreneurs.

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6.5 REFERENCES -

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ASSISTANCE AND INCENTIVES FOR PROMOTION AND DEVELOPMENT OF ENTREPRENEURSHIP - II

Unit Structure

- 7.0 Objective
- 7.1 Introduction
- 7.2 NPSD
- 7.3 Institutions in aid of Entrepreneurship Development
- 7.4 Auxiliaries to Entrepreneurship Development
- 7.5 Role of Banks / Financial Institutions
- 7.6 Policy measures for promoting Tiny & Small Enterprises
- 7.7 Few well-known female entrepreneurs have made progress
- 7.8 Case Study
- 7.9 Start up India Scheme
- 7.10 Summary
- 7.11 Exercise
- 7.12 References

7.0 OBJECTIVES

Objectives of this unit are

1. To make students aware of NPSD the important policy framework of Government in respect of entrepreneurship
2. To make students aware of institutional support system available for entrepreneurship development

7.1 INTRODUCTION

Entrepreneurship development have core importance in employment generation and national development. Considering this Indian Government had created a policy framework and also established various institutions in support of entrepreneurship development. In this unit we are going to learn about the policy framework and support institutions.

7.2 NSPD

- The National Policy on Skill Development was initially created in 2009, and it served as a foundation for skill development efforts throughout the country.

- Modifications in the macro environment, as well as lessons learned through the implementation of various skill development programmes in the country, have forced policy changes over time.
- As a result, the National Skill Development Policy of 2015 was created, succeeding the 2009 Policy. On July 2, 2015, India's first Integrated National Policy for Skill Development and Entrepreneurship was announced.

Vision - To develop an ecosystem of empowerment by skilling on a broad scale, quickly, and to encourage a culture of innovation-based entrepreneurship that can generate wealth and jobs, ensuring sustainable livelihoods for all citizens in the country.

POLICY FRAMEWORK FOR SKILL DEVELOPMENT



1. Aspiration-

Skill Development is motivating for our country's youth.

2. Capacity –

It is produced by private sector training organisations, industrial in-house training, government and private ITIs, tool rooms, and Multi Skilling Institutes in schools, colleges, and polytechnics (MSIs).

3. Quality

The competency outcomes and employability of learners can be used to assess training quality. For quality improvement, the following parameters have been established.

- The National Skills Qualifications include a quality assurance framework.
- National Skill Qualification Framework (NSQF) Market-relevant training programmes
- Encouraging skilled workforce mobility both laterally and vertically.
- Prior learning is acknowledged.
- Curriculum coherence.
- Soft skills and computer knowledge.

4. Synergy

The qualifying criteria, duration of training, maximum money for training, outcomes, and monitoring and tracking mechanisms for various Central Government Ministries, Departments, and Agencies' Skill Development Programs vary.

5. Mobilization and Engagement

Industry must play a key role in ensuring that skilled workers have job prospects.

6. International Collaborations and Global Partnerships

The fundamental goal of international collaborations and global partnerships is to harness best practises from around the world.

7. Outreach and Advocacy

Connecting supply and demand is one of the most difficult tasks in the skilling industry. A Labor Market Information System (LMIS) will be established to, inter alia, function as an aggregator of both skill demand and supply, thereby removing information asymmetry in the market and assisting in the connection of supply and demand.

8. ICT Enablement

Only promoting brick-and-mortar facilities would not allow for the pace and scale needed to change skill development activities.

9. Women's skill development

Mobile training units, flexible afternoon batches, and training tailored to the local needs of the area will be adopted to ensure women's involvement and mobilisation. The establishment of Kaushal Vardhan Kendras (KVKs) at the Panchayat level would be encouraged by state governments.

7.3 INSTITUTIONS IN AID OF ENTREPRENEURSHIP DEVELOPMENT

The National Institute for Entrepreneurship and Small Business Development :

The National Institute for Entrepreneurship and Small Business Development is a flagship agency of the Ministry of Skill Development and Entrepreneurship, dedicated to promoting entrepreneurship and skill development through training, consulting, and research. Training of Trainers, Management Development Programs, and Entrepreneurship - cum-Skill Development Programs, Entrepreneurship Development Programs, and Cluster Intervention are some of the Institute's main operations. Under the auspices of the Ministry of External Affairs, the Institute has been actively offering International Trainings for ITEC nation participants. Since 2007-08, the institute has been financially self-sufficient.

Examples of aid provided by the Institute –

The major activities of the Institute include:

1. Training

The Institute's training programmes include, among others, Trainers' Training Programmes (TTPs), Management Development Programmes (MDPs), Orientation Programmes for Heads of Departments (HoDs) and Senior Executives, Entrepreneurship Development Programmes (EDPs), Entrepreneurship-cum-Skill Development Programmes (ESDPs), and specially designed sponsored activities for various target groups.

2. Research/Evaluation Studies —

In addition to primary/basic research, the Institute has reviewed/evaluated various government schemes/programs, assessed training needs (Skill Gap studies), and conducted industrial potential surveys, among other things. The overall goal of these programmes is to promote entrepreneurship throughout the country.

3. Course Curriculum Development –

The Institute has created Model Syllabi for the organisation of Entrepreneurship Development Programs. It also aids in the standardization of general training programmes.

4. Publications and Training Aids —

The Institute has published a number of books on entrepreneurship and related topics. The Institute publishes a quarterly newsletter that highlights the Institute's activities, accomplishments, and interventions in the country's entrepreneurial scene.

5. Cluster Interventions –

In various roles, the Institute has been actively involved in carrying out developmental programmes (Soft and Hard Interventions) in Clusters. So far, the Institute has dealt with 24 Industrial Clusters.

6. Online and Electronic Learning Modules

For Entrepreneurship Development Programs, the Institute has designed an E-learning Module (in Hindi and English). The Module was made available in a variety of states. A picture of online learning is also included. Cyber Security, Communication Skills, Java, Personality Development, Mathematical Modelling, Web Designing, and Cloud Computing are among the institute's modules. Employability and Life Skills, Retail and Entrepreneurship

7. Dehradun Regional Office —

Conducts research and provides training and consulting services to beneficiaries, particularly those from Uttarakhand and Uttar Pradesh.

8. Mentoring for Enterprise Creation and Employment Assistance to Trainees

The Institute mentors individuals interested in self-employment and assists them in finding suitable wage employment if they do not choose self-employment. For this reason, Rozgar Mela(s) provides a venue for prospective employees and trained personnel to interact.

9. International Activities –

The Institute provides 8-week training programmes for participants from other nations under the Ministry of External Affairs' Fellowships: ITEC/SCAAP/COLOMBO Plan. In addition, the Institute plans and performs special/request training programmes for international agencies and has provided consulting services to foreign countries, mainly in appraising the economic potential of various regions. The programme is being infused with technology to ensure its survival in the aftermath of a pandemic.

10. Consultancy Services (National and International) —

Providing entrepreneurship consulting services, mostly to MSMEs. It provides assistance and consultation to other institutions involved in entrepreneurship education, whether in the public or private sector. Advising both central and state governments, as well as foreign governments, on entrepreneurship and MSMEs.

Recent accomplishments -

The Institute has successfully generated and supplied content for online training programmes, and it is now expanding its content and curriculum repository for a variety of market-driven online training programmes.

The Institute has changed and evolved to provide instruction via the internet in order to deal with the COVID-19 scenario. Most of the institute's training, such as the Trainers' Training Programme on Employability, Entrepreneurship, and Life Skills for PMKVY Partner Institutions and the ESDP on Retail Team Leader for the Ministry of Defence's Directorate General of Training, has moved to a digital online platform. The institute is in talks with other national and international organisations about delivering entrepreneurship training via digital channels.

Objective

NIESBUD is a top-level organisation that reports to the Ministry of Skill Development and Entrepreneurship of the Government of India.

1. To standardise and systematise the procedures of identifying, training, supporting, and maintaining potential and current entrepreneurs.
2. To assist and stimulate institutions and organisations in conducting training and other activities relevant to entrepreneurship development.

3. To function as an apex national resource institute for assessing and enhancing the process of entrepreneurship development, as well as measuring the impact of the same across various social strata.
4. By arranging research and documentation efforts pertaining to entrepreneurship and skill development, we hope to give crucial knowledge and support to trainers, promoters, and entrepreneurs.
5. To provide a comprehensive environment in which trainers, promoters, and consultants can be trained in a variety of areas related to entrepreneurship and skill development.
6. To provide national and international consulting services for the promotion of entrepreneurship and small company development.
7. To create national/international platforms for discussion and exchange of ideas in the development of policies and their refinement at various levels.
8. To share entrepreneurship development knowledge and expertise across national borders in order to raise national awareness.
9. To share international knowledge and skills in the field of entrepreneurship development in order to track its growth on a global scale.

Training Programmes at NIESBUD -

I. Trainers' Training Programmes

1. Enterprise Launching and Management
2. EMT Accreditation Programmes
3. Barefoot Managers
4. Self-Employment / PMRY
5. Project Formulation & Appraisal
6. Planning & Organising EDPs

II. Small Business Promoters' Programmes

1. Entrepreneurship Orientation for Weaker Sections/DWACRA Functionaries
2. Grassroots Management Training
3. Women Empowerment through Enterprise Development
4. Orientation Programmes for Voluntary Organisations
5. Small Business Development
6. Micro-Enterprise for Women/SC/ST/Weaker Section
7. TRYSEM/ISB Beneficiaries

III. Development Officers' Orientation Programmes

1. DICs-Managers and General Managers
2. SIDO Officers
3. Voluntary Organisations

4. Income-Generating Activities
5. ITI/Vocational Institute Instructors and Principals
6. KVIC
7. Performance Improvement and Personal Effectiveness
8. Techniques for Identification & Selection of Entrepreneurs

IV. Continuing Education Programmes For SSI Entrepreneurs

1. Working Capital Assessment & Management
2. Opportunity Identification & Guidance
3. Managing & Controlling Small Business Accounts
4. Marketing Strategies for small Entrepreneurs
5. Managing Finance
6. Creative Selling & Promotion for Small Enterprise
7. Marketing Survey Methods
8. TQM for Small Business
9. Business Forecasting Techniques
10. Export Marketing for SSI Entrepreneurs
11. Strategic Management for Small Entrepreneurs
12. Managing Finance SSI
13. Effective Business Communication for Small Business Owners
14. Leadership & Team Building Skills for Small Business Owners
15. Computers for Small Entrepreneurs
16. Opportunity & Support for Expansion, Diversification & Modernisation of Small Enterprises
17. Small Enterprise Management Assistants Programme (Barefoot Managers)
18. Enhancing Productivity & Improving Quality

V. International Training Programmes

1. Small Business Creation & Development for Women Entrepreneurs
2. Development of Entrepreneurship & Entrepreneurial Skills
3. Entrepreneurship for Small, Business Trainers/Promoters
4. Entrepreneurship Development for Business Entrants
5. Micro-Enterprise Development
6. Case Development
7. Curriculum Development
8. Entrepreneurship Development & Promotion of Income-Generating Activities
9. Business Advisors' Training Programmes
10. Small Business Planning & Promotion

Besides Institute conducts country-specific entrepreneurship/small business development programmes (Already done for CIS, Nepal, Bangladesh & Fiji) or for specific international organisations (Done for UNIDO/ UNDP, ILO, Commonwealth Secretariat & USAID)

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National Policy for Skill Development and Entrepreneurship Objectives

1. The government has implemented a number of skill development programmes over the years, but in order for them to be effective, they must address the following important areas:
2. The infrastructure of the facilities that conduct skill development programmes must be of the highest quality.
3. Establish an IT-based infrastructure to track worker demand and supply.
4. Ensure that youth receive high-quality vocational training.
5. Emphasis should be placed on entrepreneurship education. Micro enterprises can be boosted through training youth and instilling a sense of entrepreneurship in individuals.
6. Encourage the development of national skills. Institutes and universities. Trainers will be offered a course on how to teach skill improvement to their students. Citizens will be trained in skill development at these institutes and universities.
7. Keep an eye on the talent that emerges from these institutions and colleges so that you may give them jobs and opportunities in India and throughout the world.
8. Along with formal education, skill development is introduced.
9. Implementing the "One Nation, One Standard" credo to ensuring that quality training is provided to all participants, regardless of caste, economic background, disability, and religion. The mantra's goal is to develop young people who are desirable to businesses in India and around the world.
10. Following the Recognition of Prior Learning (RPL), this involves the individual's initial assessment, skill gap training, and a final assessment that results in a globally recognised certificate.

Impact of National Policy on Entrepreneurship and Skill Development –

1. The National Policy for Skill Development and Entrepreneurship has reached 1.5 million schoolchildren, 3,000 polytechnics, 25,000 colleges, and 83 youth hostels across the country by providing a variety of incentives for both institutions and trainers. Participants can enrol in the scheme at more than 1.5 lakh post offices and more than a lakh kiosks around the country.

2. The government expects a ten-fold growth in apprenticeship in MSME (Micro Small and Medium Enterprises) in the country as a result of the government incentivizing apprenticeship with a stipend.
3. The Ministry of Skill Development and Entrepreneurship (MSDE) has been established in the country to monitor skill development and training programme outcomes. Several government skill development initiatives will be bolstered as a result in the years ahead.
4. The National Labour Market Information System (LMIS) was created to keep track of and analyse the rise of employment as a result of skill development courses, as well as their impact on the population. Using the LMIS analysis, changes to the development courses would be made to improve the overall standard and outcome.
5. The Ministry of Skill Development and Entrepreneurship (MSDE) was established by the government in the country to monitor skill development and training programme outcomes. Several government skill development initiatives will be bolstered as a result of this action in the years ahead.
6. The National Labour Market Information System (LMIS) was created to keep track of and analyse job growth as a result of skill development programmes, as well as their impact on the population. Changes to the development courses would be made based on the LMIS analysis, in order to improve overall quality and outcome.
7. The National Labour Market Information System (LMIS) was created to keep track of and analyse the rise of employment as a result of skill development courses, as well as their impact on the population. Using the LMIS analysis, changes to the development courses would be made to improve the overall standard and outcome.
8. The government's Make In India initiative is strongly linked to the National Policy for Skill Development and Entrepreneurship. As a result, the skill development programmes are related to 25 existent working sectors that fall within the Make In India umbrella.
9. Because of the use of technology, training has become more cost-effective, and skill development programmes have reached even the most remote corners of the country. Trainers and participants can now acquire essential knowledge for skill development through the e-content site.

Entrepreneurship strategy used for National Policy for Skill Development and Entrepreneurship –

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The government implemented a nine-part entrepreneurship strategy in order for the policy to be a success among the citizens and youth of the country-

1. The scheme introduced participants to a number of successful entrepreneurs and mentors in order to stimulate them. The initiative convinced the youth of the scheme's success and the abundance of chances available.
2. Realize candidates' potential by teaching them the tricks of the trade - in terms of being an entrepreneur.
3. Candidates who are interested in becoming entrepreneurs will be assisted, connected, and encouraged through entrepreneur centres.
4. Make a paradigm shift and put entrepreneurship at the forefront of the market.
5. Bring attention to the opportunities for persons from impoverished backgrounds and marginalised groups to become entrepreneurs.
6. Encourage women entrepreneurs, resulting in a shift in the majority of the population's attitude about women. Many people see the National Policy for Skill Development and Entrepreneurship as a great weapon for women's empowerment.
7. Connecting various entrepreneurs and stakeholders and providing doors of opportunity for all will improve the ease of doing business.
8. Improve access to finance, which is now a barrier to growth for persons from underrepresented groups.
9. In order to develop social entrepreneurship, spark fresh ideas by examining societal trends.

7.3.1 DISTRICT INDUSTRY CENTRE

The District Industries Centre (DIC) is a government-run programme aimed at fostering small village and cottage industries in a certain area. Since its inception in 1978, the DICs have been constructed in several districts across India at various times. The District Industries Centres, which are located at the district level, provide all of the required services and support to help entrepreneurs develop MSMEs (Micro, Small and Medium enterprises).

OBJECTIVES OF DISTRICT INDUSTRIES CENTRE (DIC):

The important objectives of DICs are as follow :

- i. Accelerate the overall efforts for industrialisation of the district.

- ii. Rural industrialisation and development of rural industries and handicrafts.
- iii. Attainment of economic equality in various regions of the district.
- iv. Providing the benefit of the government schemes to the new entrepreneurs.
- v. Centralisation of procedures required to start a new industrial unit and minimisation- of the efforts and time required to obtain various permissions, licenses, registrations, subsidies etc.

ROLE OF DISTRICT INDUSTRIES CENTRES

District Industries Centres (DICs) are important players in the development and promotion of industries in their respective states. They are formed by the individual state's Department of Commerce and Industry. In some states, such as Nagaland, Sub-District Industries Centres (SDICs) have been established in addition to DICs. This additional tier has aided industrial development in reaching further into the country's rural areas.

- Assist with DIC programmes
- Create a single-window clearance system
- Promote rural industry
- Create jobs for people in both rural and urban locations

DISTRICT INDUSTRIES CENTRES SCHEMES -

A number of projects that fall under the purview of District Industries Centres have been launched (DICs). These programmes assist in achieving the objectives of building District Industries Centres (DICs). There are both centrally funded and central sector programmes in this category. The following schemes fall under the DIC:-

1. **Prime Minister's Employment Guarantee Program (PMEGP) –**
The Ministry of Micro, Small and Medium Enterprises (MSME) introduced this centrally supported scheme in 2008. The PMEGP strives to create job opportunities in rural and urban areas for educated unemployed persons. Khadi & Village Industries Commission is the scheme's main agency for execution (KVIC). Banks will lend 90-95 percent of the money under this programme, with the applicant's contribution being 5-10 percent of the project cost in the industry, service, or commercial sector.
2. **District Industries Centre (DIC) Loan Scheme –**
This scheme is for self-employed people and small businesses in cities and rural areas with a population of fewer than a lakh people and a capital investment of less than Rs. 2 lakh. Village industries, handicrafts, handlooms, and silk & coir industries are among the minor units listed by the Small Scale Industries Board. The margin money for entrepreneurs in the general category will be 20% of the total investment, or Rs. 40,000. (Whichever is lesser). The margin

money for businesses in the SC/ST category will be 30 percent of the total investment, or Rs. 60,000. (Whichever is lesser).

3. **Seed Money Scheme-**

This programme is designed for self-employed people who work for a living or run their own businesses. Financial aid from institutions in the form of soft loans. The project cost for obtaining a loan under the seed money scheme has been raised to Rs. 25 lakhs. Seed money support of up to 15% of the project cost is available for initiatives up to Rs. 10 lakhs. The assistance granted to SC/ST/OBC will be 20% of the project cost; the maximum amount of assistance provided will be Rs. 3.75 lakhs, with 75% of the project cost being in the form of a bank loan.

4. **District Awards Scheme-**

State governments have begun honouring entrepreneurs with prizes at the district level to raise their spirits and recognise their efforts and successes. The entrepreneurs to be recognised will be chosen by a District Advisory Committee created at the district level. The District Awards Function takes place on Vishwakarma Jayanti Day, which varies from year to year. The award ceremony includes a display of the entrepreneur's items for sale and exhibition, as well as workshops and discussions on the topic.

5. **Entrepreneurship Development Training Programme –**

This programme was created to provide training to educated unemployed persons in order to encourage them to start their own businesses or work in skilled wage jobs.

The following training programmes are part of the Entrepreneurship Development Training Program:

- Entrepreneurship Introductory Programme (Udyojakata Parichay Karyakram)
- Entrepreneurship Development Training Programme (12 Day residential)
- Technical Training Programme (12 Days to 2 Months non-residential)

6. **Eligibility Criteria for Applying Under the District Industries Centres (DICs) -**

Loans are available through the District Industries Centres (DICs) under the various schemes listed above. The District Industries Centres (DICs) promote and implement these plans, and loans can be obtained under a variety of schemes with differing qualifying conditions.

Who can apply for loans under DIC?

Below given are the entities who are eligible to avail loans under the DIC scheme:

- The entities who can avail this loan involve safai karamcharis families, scheduled castes, and other backward classes (OBCs)
- Physically disabled young professionals like chartered accountants, engineers, advocates, doctors, architects, physiotherapists, pathologists, pragmatists, etc. can also avail this loan.

Functions of District Industries Centres

The District Industries Center (DIC) Program was established in 1978 as a government-sponsored initiative with the goal of providing all services and support to village and small-scale enterprises under one roof in order to promote the development of small-scale industry in the country's widely dispersed rural areas and small towns.

The District Industries Centres (DICs) provide a variety of key responsibilities for the upliftment of a district and the inclusion of that district on India's industrial map. The following are some of the functions done by District Industries Centres (DICs):-

1. Development of the district's industrial profile –

This aids in determining the advantages and disadvantages of establishing various industries in the district based on the availability of infrastructure, raw materials, labour, and land in the area.

2. Assisting entrepreneurs with the acquisition of licences –

A variety of permits are necessary to set up an industrial unit, including those from the electricity board, the no-objection certificate, the water supply board, and others. The District Industries Centres (DICs) enable the issuance of these permits, making it easier for entrepreneurs to establish industrial units in their particular districts.

3. Serving as the district's main point for industrialization –

The District Industries Centres (DICs) serve as a focal point for making progress in the field of industrialization. The District Industries Centres (DICs) handle everything from giving various permissions and permits to facilitating financing and granting awards.

4. Entrepreneurial opportunity counselling –

A lack of awareness about an existing opportunity causes more harm than a lack of opportunity. District Industries Centres (DICs) assist in bringing numerous opportunities to the forefront to assist entrepreneurs. In addition to the district's industrialization, this aids in the creation of job prospects.

5. Assessment of skilled and semi-skilled labour –

District Industries Centres (DICs) assist in making the greatest use of their platform to identify the labour that is best suited to the market. This prevents underemployment.

6. Determine infrastructure facilities –

Infrastructure facilities are a top priority for each place to develop in order to identify the potential that may be tapped from a specific area. The District Industries Centres identify facilities such as power, roads, warehouses, banking, and quality testing facilities, among others (DICs).

7. Develop a techno-economic feasibility study –

The District Industries Centres (DICs) develop a techno-economic feasibility report that analyses the performance of an industrial product, process, or service in order to enhance regions that require it.

8. Provide advice to entrepreneurs on their investments –

The District Industries Centres (DICs) provide advice to businesses on a variety of investments. In this way, they provide consulting services to entrepreneurs to assist them in making better financial selections.

9. Investigation and survey

The District Industries Center surveys existing and future industries, as well as raw materials and human resources. It anticipates the market for a variety of products. It also develops techno-economic feasibility analyses in order to provide enterprises with investment recommendations.

10. Courses of Instruction

The District Industries Center also holds training sessions for small and microbusiness owners. It serves as a link between entrepreneurs and small industry service institutes, allowing the latter to provide new and improved product lines and quality to the former.

11. Equipment And Machinery

The District Industries Center identifies areas where machinery and equipment can be purchased, as well as arranging for machinery to be supplied on a hire buy basis.

12. Raw Materials

The District Industries Center gathers information on the commodities required by various divisions and arranges for bulk purchases. As a result, small businesses can receive their raw materials at a cheap price.

13. Arrangement of Loans

It makes the appropriate agreements with Lead Banks and other Financial Institutions to give financial support to entrepreneurs. It also assesses the application and keeps track of the district's industrial credit flow.

14. Marketing

Market surveys and market development programmes are conducted by the District Industries Center. It also develops marketing channels, maintains contact with government procurement organisations, and keeps entrepreneurs up to date on market intelligence.

15. Khadi And Village Industries

The development of khadi and village industries, as well as other cottage businesses, is a priority for District Industries Centers. It also maintains close ties with the State Khadi Board and organises rural artisan training programmes.

Has the Indian Government done enough for the budding industries of India?

The availability of institutional supports for industries in a country has a significant impact on the growth and development of industries, particularly small and medium firms.

To start and run their businesses, businesses require many types of help and facilities in the areas of infrastructure, technical aid, export-import promotion, marketing assistance, tax exemptions, and other areas. If no such support and facilities are provided from institutions, starting a business becomes a very challenging endeavour for an entrepreneur.

The federal government and state governments have stepped up to establish a number of organisations aimed at providing the necessary support and infrastructure to help small and medium-sized businesses get off the ground.

- i. Provide advice to entrepreneurs on the positive and negative aspects of various schemes and projects that have been proposed to them (project proposal).
- ii. To create project profiles and feasibility assessments for the entrepreneurs' plans (project report and feasibility study).
- iii. To give entrepreneurs with technical assistance in the areas of machinery, imports, import substitution, and raw materials (technical service).
- iv. To offer training and consulting services in order to improve competitiveness and get advanced expertise in the field (consultancy service).
- v. Assisting small businesses with product marketing (marketing assistance).

- vi. To serve as a liaison between the industrial departments of the state and the federal government (coordination service).
- vii. Assisting entrepreneurs in obtaining up-to-date information on small-scale industrial activity (information provider).
- viii. Organize entrepreneurship development programmes to educate, nurture, and groom entrepreneurs (skill development).
- ix. To start promotional campaigns (promotional measures).
- x. To provide necessary assistance in the construction of ancillary units (supporting service).
- xi. Assessing diverse project proposals submitted by entrepreneurs and recommending relevant services for project report preparation and implementation (evaluation service).
- xii. To give the necessary infrastructure and lodging to the entrepreneurs.

What are the measures to be taken for survival and growth of Small Scale Industries?

Small-scale industries play an essential role in the Indian economy's industrial structure. As a result, suitable efforts should be done to address all of the issues that the industries face in order to ensure their survival and growth. The environment in which the industry operates must be favourable to industry development.

For their long-term growth, the following remedial treatments are recommended.

1. The government should perform in-depth studies of current small businesses and develop profitable plans for them.
2. The government should create the appropriate arrangements for workers in small-scale units to receive proper education and training.
3. The government should make provisions to ensure that proper quality and sufficient quantities of raw material are available at reasonable prices.
4. It is necessary to further liberalise the norms and practises of banks and other financial organisations that provide credit to small-scale businesses in order for them to be able to obtain the necessary financing.
5. The government should take appropriate efforts to improve infrastructure like as roads, electricity, drainage, and water supply, particularly in the unorganised sector, where small businesses are underserved.
6. In the sphere of marketing, the government should build strong marketing organisations to eliminate the comparative disadvantages of small-scale entities.

7. Small-scale industries should conduct research on production techniques in order to improve production processes and implement contemporary and sophisticated technology in their units.
8. Entrepreneurs should ensure that the quality and grade of their output is on par with similar products produced by major companies.
9. The government should take steps to reduce tariff rates and provide export incentives to small businesses.

Small-scale industries will be successful and continue to exist in the economy if all of these measures are completed in the correct time and spirit.

7.3.2 NATIONAL ALLIANCE OF YOUNG ENTREPRENEURS -

It is the apex organisation for young entrepreneurs at the national level. It aids in the promotion of new businesses by first-generation entrepreneurs. In August 1972, NAYE sponsored a prototype Entrepreneur Development Scheme with Bank of India. BINEDS is the name of the scheme. It operates across Punjab, Rajasthan, Himachal Pradesh, and the Chandigarh and Delhi Union Territories.

This is a national organization of young entrepreneurs of the country, which-

- Looks into the interests of young entrepreneurs
- Takes special care of the interests of women entrepreneurs.

Some of the major achievements of NAYE are –

1. Establishing its credibility as a highly professional, knowledgeable, effective, and efficient non-governmental organisation representing small and medium firms in both governmental and non-governmental circles.
2. Establishing a strong presence in the field of international small and medium enterprise collaboration.
3. Having a significant impact on the performance of small and medium enterprises as a result of numerous strategies, policies, and procedures put in place by the federal and state governments.
4. Developing and supporting a new generation of female entrepreneurs, allowing them to take their rightful role in the Indian economy.

Because the majority of women-owned businesses fall into the small business category, all of the above measures apply equally to them. There are a lot of entrepreneurs, not only in terms of teaching people to be entrepreneurs, but also in terms of financial unit identification and marketing.

Current Scenario –

In partnership with public sector institutions such as Bank of India, Dena Bank, Punjab National Bank, Central Bank of India, and Union Bank of India, NAYE has organised various entrepreneurial development programmes.

The following are the schemes' objectives:

1. Assisting young entrepreneurs in locating investment and self-employment opportunities is a priority.
2. Make sure their training is properly organised.
3. On the basis of project reports, provide required financial assistance.
4. Consultancy services in a safe bundle.
5. Arrange for government and other organisations to provide help, facilities, and incentives to entrepreneurs.

NAYE are always a source of power and support for businesses. NAYE always assist in gaining market dominance. However, India is undergoing numerous transformations, and this is one of them. Previously, MNCs just created their market by killing small businesses. This NAYE will assist entrepreneurs in expanding their businesses so that money from India does not flow to foreign shores. Entrepreneurs are now job creators, employing a large number of people.

In partnership with public sector banks, NAYE has supported a number of entrepreneurship development programmes.

The following are a few of these plans:

- Bank of India – In August 1972, the BINEDS programme was established. Punjab, Rajasthan, and Himachal Pradesh, as well as J&K, Chandigarh, and Delhi, are all covered by it.
- Punjab National Bank - Founded in March 1977 in the states of West Bengal and Bihar, the Punjab National Bank provides financial assistance to entrepreneurs.
- Indian Reserve Bank – Maharashtra is the location of this entrepreneurship development programme.

Special agencies for government and scheme for entrepreneurship are -

1. National Level Standing Committee on Women Entrepreneurs –

This group was formed under the chairmanship of the Minister of State for Sports, Youth Affairs, Women's and Children's Welfare to look into the issues surrounding women's entrepreneurship in the country.

2. Andhra Pradesh Women's Cooperative Finance Corporation Limited is a women's cooperative finance corporation based in Andhra Pradesh (APWCFC)

This organisation was founded in 1975, on the eve of the "International Women's Year," to promote gender equality and women's active participation in national development. APWCFC provides financial help for vocational training, the construction of work sheds, the development of working women's hostels, and the provision of a sales shop at Telugu Bala Mahila Pragati Pranganam.

The relative benefits that are available to women entrepreneurs compared to men entrepreneurs are:

S.NO	NATURE OF ASSISTANCE	AVAILABILITY TO ENTREPRENEURS	
		MEN	WOMEN
1	State subsidy on investment in plant and machinery in specified backward areas and for specified industries.	Available	Available
2	Sales tax waiver, generator subsidy and power tariff concession for specified periods and locations.	Available	Available
3	Self employment loan for educated unemployed youth	Available	Available on priority
4	Entrepreneurship development training programme through various institutes	Available	Available on priority
5	Term loan with entrepreneurs contribution limited to 15% as against normal minimum contribution of 25% from entrepreneurs	Not available	Available
6	Special rate of interest on loans up to Rs 10 lakhs limit	Not available	Available
7	Marketing assistance	Available	Available on priority
8	Industrial sheds in Government estate	Available	Available on priority
9	Scarce raw material imports and other licenses	Available	Available on priority

Source – ED

7.4 Auxiliaries to Entrepreneurship Development

The following are significant auxiliaries that aid in the promotion of commercial activities:

1. **Bank:** The most significant auxiliary institution for entrepreneurship development. They assist with the resolution of financial issues in the workplace. In addition to his own financial resources, the entrepreneur relies on the bank for funds. Banks provide security for entrepreneurs' wealth, as well as overdraft and cheque payment options. They also assist in the advancement of business, asset transfer, and a variety of other services for the entrepreneur to promote entrepreneurial activity.
2. **Transportation:** Transportation is critical to a country's success in business and trade. Business activity can advance by land, maritime, and air transport if good transportation facilities are provided. Only because of the enhanced modes of transportation accessible has the scope of company expanded internationally.
3. **Insurance** is widely regarded as the most effective technique of mitigating risk. There are risks in every field of business. As a result, the entrepreneur enters into a contract with an insurance company in which the entrepreneur pays the premium and the insurance company guarantees to compensate the entrepreneur for losses sustained as a result of defined causes/accidents.
4. **Warehousing:** Products are manufactured at a specific period, but they cannot all be consumed or sold at the same time. They must be preserved in a secure location for future use or sale. Wheat, rice, cotton, tobacco, and other commodities are kept in designated stores until demand for them develops. Commodities such as woollen clothing must also be stored and protected until seasonal demand arrives. Warehouses are required for the storage of such commodities.
5. **Advertisement:** Large-scale production needs good marketplaces, which necessitates the use of advertising to ensure that the items are quickly sold. The term "advertising" refers to the act of informing people about the goods and services that are being produced, delivered, and so on. Advertisements are quite vital in today's world.

7.5 Role of Banks / Financial Institutions

Banks and other financial institutions play an important role.

1. Since 1956, banks and financial institutions have been at the forefront of assisting small-scale businesses.
2. The unit must meet the following general eligibility criteria in order to receive financial assistance from a bank or financial institution:
3. It should be a small-scale business, as defined by the government on a regular basis.

4. The proposed items to be made by the facility are not on the government's list of banned items, which is updated on a regular basis.
5. For the industry to be established, the unit must have a statutory licence or authorisation.
6. The unit's owner, partner, or director should have demonstrated integrity and the ability to make and sell the goods.
7. The project must be both technically and financially feasible.

7.6 Policy measures for promoting Tiny & Small Enterprises

Government of India has announced policy measures for promoting and strengthening small, tiny and village enterprises on August 6th 1991.

Salient features of the new policy are;

1. Reservation of products for manufacture in the small scale sector to continue, units included in this list not to be subjected to compulsory licensing procedures.
2. Hike in investment limit in plant and machinery for small scale, ancillary and export oriented units retained as 60 lakhs, 75 lakhs and above 75 lakhs respectively.
3. Hike in investment limit in plant and machinery for tiny sector from Rs 2 lakhs to Rs 5 lakhs irrespective of location of the unit.
4. Industry related service and business enterprises to be recognized as SSI with investment limits on par with the tiny sector irrespective of location of the unit.
5. Women enterprises redefined. Criteria are major shareholding and management control by women entrepreneurs.
6. Limit of the financial liability of new and non-active partners/entrepreneurs to the capital invested.
7. Equity participation by other industrial undertakings including foreign companies up to 24%.
8. Support from National Equity Fund for new projects not exceeding Rs 10 lakhs of project cost.
9. Single window loan scheme enlarged to cover projects up to Rs 20 lakhs term loan with working capital margin up to Rs 10 lakhs.
10. Relaxation of certain provisions of labour laws.
11. 'Factoring' services to be extended through commercial banks.
12. Suitable legislation to be introduced to ensure prompt payment of small industries bill.
13. Easier access to institutional finance – ensures adequate flow of credit.
14. Integrated infrastructure development to be pursued for small scale units.

15. Technology Development Cell (TDC) to be set up in SIDO.
16. Export development Centre to be set up in SIDO.
17. Technology information centres to be established to provide up-to-date Technology and marketing information.
18. Ensure adequate and equitable distribution of indigenous and imported raw material.
19. Encourage quality counselling and testing facilities.

7.7 Few well-known female entrepreneurs have made progress:

- Dr. Kiran Mazumdar-Shaw, Chairman and Managing Director of Biocon Ltd., is an entrepreneur. Dr. Kiran Mazumdar-business Shaw's and management skills have made her one of India's wealthiest businesspeople. She is a member of prestigious business groups such as the CII, MM Bangalore, and others, and belongs to the Indian corporate elite.
- Balaji Telefilms' creative director, Ekta Kapoor — Ekta Kapoor, the daughter of legendary actor Jeetendra and sister of Tushar Kapoor, is well known in India for her K series serials. She is one of the most powerful figures in the Indian television industry, and her company, Balaji Telefilms, has made a fortune. Balaji has profited in the millions as a result of her.
- Sunita Narain is a political activist and an environmentalist. Sunita Narain is a well-known social activist who has made India proud by advocating for the relevance of the Green idea of sustainable development. She was just appointed to the Society for Environmental Communications' board of directors. In 2005, she was also given the coveted Padma Shri award.
- Microsoft India managing director Neelam Dhawan – Neelam Dhawan, a well-known figure in the Indian business world, is the managing director of Microsoft's sales and marketing activities. She is well-known for adopting business tactics for Microsoft that have resulted in massive revenues.
- Naina Lai Kidwai - Fortune magazine named Naina Lai Kidwai one of the World's Top 50 Corporate Women. She is the first Indian woman to be accepted into Harvard's famous business school. She was named one of the top 10 businesswomen in India and was the first woman to lead HSBC's operations I. She received the Padma Shri award for her efforts.
- Sulajja Firodia Motwani - Sulajja Firodia Motwani is the Joint Managing Director of Kinetic Engineering Ltd, where she oversees the company's overall operations and commercial development plans. India Today magazine named her the 'Business Face of the Millennium,' and the World Economic Forum named her the 'Global Leader of Tomorrow.'

- Director of TAFE India, Mallika Srinivasan Mallika Srinivasan, the director of TAFE India, was named one of the top ten businesswomen of the year in 2006. Her abilities and plans have helped the company grow from a meagre Rs. 85 core profit to a staggering Rs. 2,900 core profit. She is also a prominent personality in the field of social services.
- Dr. Jatinder Kaur Arora — Through her scientific research for women's development, Dr. Jatinder Kaur Arora has made India proud. She is currently a joint director at the Punjab State Council for Science and Technology, where she was recognised for her outstanding achievements with a national award.

7.8 CASE STUDY

Dhanachandra Singh Khumbongmayum didn't have much in his life. He wasn't raised with many privileges as the son of a poor tailor. He observed his father working all hours of the day and night to supplement his meagre income. He witnessed the wealthy becoming wealthier while the poor remained destitute. The young man desired to accomplish more in his life. He couldn't envision a life of slaving away at a sewing machine to get just enough money to get by. Imphal is a tiny town in the state of Manipur. Hardworking fathers and women send their children to larger cities in order for them to have more prospects for advancement. Khumbongmayum's father was unable to send or educate his son. He simply taught him tailoring, which was all he knew. Fabrics, needlework, and clothing styles were all part of the boy's upbringing. There was only one sewing machine, and when his father wasn't using it, the youngster utilised it. He learned it quietly because he knew it was what his father wanted, but it didn't feel right to him. An occurrence might transform your life at any time. When Khumbongmayum was stitching a purse out of leftover materials from his father's scraps, this happened to him. Khumbongmayum gave the purse to a friend who was enthralled by the design. The friend then showed his other buddies the interesting purse. They inquired if Khumbongmayum could create similar purses for them as well. It made him wonder if his designs could find a market. And he realised he'd stumbled across his business opportunity. In 1996, he devised a business plan and started 'Romi Bags,' a purse-making company. Khumbongmayum was not the type to act on impulse. He observed the demand for his product and estimated his costs, expenses, and anticipated revenue. He won the National Award for Bag Making in the Micro and Medium Enterprises category in 2007. Khumbongmayum Dhanachandra Singh has altered his life through sheer courage, perseverance, and hard work, even if it is only the beginning. You can't let anything get in the way of your progress. If you don't listen and hear effectively, you won't be successful or reach the top.

7.9 START UP INDIA SCHEME-

The goal of the Startup India Scheme is to create a robust ecosystem in India that fosters innovation and businesses. The scheme intends to:

- i) Promote an entrepreneurial culture and instil entrepreneurial ideals in society at large, as well as affect people's attitudes toward entrepreneurship; and
- (ii) Raise awareness of the benefits of being an entrepreneur and the entrepreneurship process.
- (iii) Encourage more dynamic startups by encouraging educated youth, scientists, and technologists to consider entrepreneurship as a lucrative, preferred, and viable career; and
- (iv) To achieve inclusiveness and sustainable development to address the needs of the population at the bottom of the pyramid, broaden the entrepreneurial supply by meeting specific needs of underrepresented target groups, such as women, socially and economically backward communities, and underrepresented regions.

7.10 SUMMARY

Entrepreneurs can be developed through education, training, and experience rather than being born. Entrepreneurial development entails instilling the necessary entrepreneurial abilities for establishing and operating business units. Entrepreneurial growth is a systematic and on-going process. Its main goal is to inspire people to pursue entrepreneurial careers by teaching them how to recognise and capitalise on business opportunities.

Small businesses lack knowledge of existing support systems built by the federal and state governments, necessitating the establishment of an institutional support system to provide all assistance required by small businesses. They also lack technical and managerial abilities, as well as a strong financial background and awareness of government-sponsored infrastructure, subsidies, and tax breaks.

Government-owned agencies, statutory corporations, semi-autonomous, and autonomous organisations are among these institutions. These authorities and agencies in India are government-sponsored organisations having adequate authority to regulate and promote SSIs in specific areas of activity.

Young people in India have a lot of potential, but they are unable to mark their individuality on a local and global scale due to a lack of sufficient motivation, incentives, and training.

In general terms “Think local, act global.”

7.11 Exercise

Fill in the blanks -

1. SIDO stands for ____

1. Small Industries Developing Organization
2. Small Industries Development Organization
3. Short Industries Development Organization
4. Small Industries Deployment Organisation

Ans. – 2

2. In ____, NAYE sponsored a prototype Entrepreneur Development Scheme with Bank of India

1. August 1972
2. July 1947
3. October 1978
4. September 1972

Ans. 1

3. STEP stands for ____

1. Support to Training and Employment Programme for Women
2. Support to Training and Employment Programme for Warship
3. Scheme to Training and Employment Programme for Women
4. Support to Training and Entrepreneurship Programme for Women

Ans. 1

4. ____ is a government-run programme aimed at fostering small village and cottage industries

1. SIDO
2. VIDO
3. The District Industries Centre (DIC)
4. EDI

Ans. 3

5. ____ is one of the objective of EDI

1. Assistance with marketing training
2. Social Service
3. Help the region
4. Get money from PM

Ans. 1

Short notes –

- 1) SIDO
- 2) STEP (Support to Training and Employment Programme for Women)
- 3) Steps Taken for Development of Entrepreneurship in India
- 4) Need for Incentives for Promotion and Development of Entrepreneurship
- 5) NAYE

State whether the following statements are True or False -

- (a) Promotion and growth of SSI zone has been a cardinal function of industrial policy resolutions.
- (b) An outright subsidy of 15% on the constant capital investment up to a maximum of 15 lakhs is admissible to new devices being set up in backward areas.
- (c) New gadgets are exempted from property tax for a period of 7 years.
- (d) The State Financial Corporations supply loans for acquisition of current asset up to 30 lakhs
- (e) The reason of the liberalisation used to be to make the monetary gadget free from frequent rules, tactics and control.

[Ans.: (a - True), (b-True), (c- False), (d-False), (e - True)]

Questions -

- (1) Explain the National Policy for Skill Development and Entrepreneurship 2015.
- (2) What is the function of Functions of District Industries Centres in the increase and development entrepreneurship?
- (3) What are the export advertising measures prolonged via Government of India to Indian Small-Scale business units?
- (4) Explain the major elements of export product in MSMEs.

Projects/Assignments

1. Prepare a profile of anyone MSME operating locally in your area.
Prepare a questionnaire to find out:
 - (a) The growth prospects of the unit.
 - (b) Use of local resources and indigenous skills used.

- (c) The actual problems faced by an owner of a MSME. Prepare a project report on it.
 - (d) Marketing of products and services.
2. Find out the GI tag(s) for your state. Prepare a chart showing its unique attributes.

Discuss in the class how GI tag for the product has led to regional development

7.12 References -

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