M.A AECONOMICS

ENTREPRENEURSHIP DEVELOPMENT

SECOND YEAR –FOURTH SEMESTER

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BLOCK I
UNIT – 1 INTRODUCTION TO ENTREPRENEURSHIP

Structure

1.1 Introduction

Entrepreneur plays an important role in a country's economic growth. Government takes effort to find positive non-interventionist approaches to encourage entrepreneurship and technological diversification. A high level of entrepreneurship is found in developed economy. In developing countries, the level of entrepreneurship is low.

1.2 Objectives of learning

1. To know the meaning of entrepreneur and its importance.
2. To understand the factors affecting entrepreneurship.
3. To know the characterisation of an entrepreneur.

1.3 Entrepreneur

The term' entrepreneur' is derived from the french word 'Entreprendre' meaning to undertake. Richard Cantillon an Irish man living in France, was the first economist who introduced the term 'entrepreneur' referring to the risk taking function of establishing a new venture.

Entrepreneur refers to a person who establishes his own business or industrial undertaking to make profit.

Various experts have defined the term entrepreneur is different words. Some definition are as follows:

J.A. Schumpeter says, "A person who introduces innovative changes is an entrepreneur and he is an integral part of economic growth".

According to Webster, "Entrepreneur is one who assumes risk and management of business".

Dewing says, "The function of entrepreneur is that promotes ideas into business".

In the words of Peter Drucker, "An Entrepreneur is are who always searches for change, responds to it and explaits it as an opportunity. Innovation is a specific tool of entrepreneurs, the means by which they exploit change an opportunity for different business or service.

Therefore, an entrepreneur is always action oriented. He has the ability to imagine the necessary steps involoved from idea generation to its actualisation. All the above definitions portray an entrepreneur an initiator of action, stimulator of social economic change and a harnesser of resources.

1.4 Importance of Entrepreneur

Entrepreneur is important for a number of reasons, from promoting social change to driving innovation.

1. Entrepreneurial ventures help generate new wealth, new and improved products, services or technology from entrepreneurs enable new markets to be developed and new wealth to be created.
2. In addition with, increased employment and higher earnings cantribute to better national income in the form of higher tax reveneue and higher government spending this revenue can be used by the government to invest in other struggling sectors and human capital.
3. Entrepreneurs create social change by introducing unique goods and services, entrepreneurs breake away from tradition and reduce dependance on absolete systems and technologies.
4. Entrepreneurs also invest in community projects and provide financial support to local charities. This enables further development beyond their own progress.
5. Entrepreneurs promote capital formation by mobilising the idle savings of the public.
6. Entrepreneurs promote a country's export trade which is an important ingredient to economic development.
7. Entrepreneurs establish business and industires ventures which provide the unemployment problem in the country.
8. Entrepreneurs promote economic development by coming forward to assume risks of productive ventures.
9. Entrepreneurs act as catalyst or agent of economic development by

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perceivoing opportunities and putling them into action.

10. Realising the importance of entrepreneurship development the planners and policy makers have formulated Entrepreneur Development Programmes (EDP) for various target groups of population in the country.

1.5 Evolution of the Term Entrepreneurship in India

In India, the handicraft entrepreneurship was as old as human civilisation itself. Before British colonisation, the centre of economic activity was the village community. The village communtiy consisted of farmers, artisans and priests. Indian handicarft's enjoyed worldwide reputation. The word 'entrepreneurship' has been derived from a french which means 'to undertake'.

After the establishment of east India company, various changes were introduced in Indian economy, establishment of manufacturing entrepreneurship was encouraged in nineteenth country. In the year 1911, Tata established the first steel industry. Many textile mills were set up in Bombay and Ahmedabad, in the beginning of the 20th century, the Indian government agreed to discriminating protection to some industries. This protection helped to establish factory manufacturing industries.

The managing agency system was started in 1936. It is started that the managing agency houses were the real entrepreneurs which entered business, trade and banking in eastern India.

After independence, entrepreneurship began to grow faster. The government of India framed the first Industrial policy Resolution in 1948. This industrial policy emphasised the need to establish various types of industries by spreading entrepreneurship in cities, towns and villages.

The government of india formulated five year plans from 1951 onwards, The second five year plan was framed during 1956-1961. Various measures have been taken to develop and streng then the small-scale industry during second five year plan. The third five year plan encouraged to spread small scale industry to in rural and small towns by making avilable instritutional finance, subsidies, sales rebate and sheltered market. The fifth five year plan laid emphasis on the promotion of entrepreneurship, provision of consultancy service and incentives to start in ndustries. In the sixth five year plan, the aim of national development strategy was to promote village and small-scale industries, The Industrial policy, 1991 gave importance to strengthen the small- scale sector. The Government of India encouraged the first generation entrepreneurs by providing training, incentives and other help.

The eighth five year plan laid emphasis on private unitiative and entrepreneurship in Industrial development. Entrepreneur development programmes (EDPs) were also proposed in formulating the vocational curriculum and other degree level caurses.

Government takes a lot of measures which help to develop the spirit of entrepreneurship among engineers, technocrats and educated unemployed youth and set up their owm industrial units.

1.6 Factors Influencing Entrepreneurship

There are some major factors that affect the growth of entrepreneurship. The factors influencing entrepreneurship can be divided under the following heads

1.6.1 Economic factors

1.6.2 Social factors

1.6.3 Cultural facotrs

1.6.4 Personality factors

1.6.5 Psychological factors.

1.6.1. Economic Factors

In under developed and developing countries, the economic factors affect the growth of entrepreneurship

(i) Lack of Basic Facilities

Some basic infrastructure facilities like power facilities adequate irrigation facilities, modern transport and communication and latest technology are very much need for under taking innovative activities. These infrastructure facilities are not adequately available. An entrepreneur can not spend more on these infrastructure. Hence they are discouraged for implementing innovations since expenses of investment are very high.

(ii) Lack of Capital

Innovations and modern technology require huge capital investment for importing capital equiprents and tools, entrepreneurs have to bear heavy shipping and insurance expenses. The use of considerable amount of foreign exchange is scarce for importing capital goods.

(iii) Unavoidable Risks in Business

Risks faced by entrepreneurs are greater in underdeveloped and developing countires than developed countries. The reasons are;

1. Instability in domestic and foreign economic policies.
2. Due to seasonal fluctuations of demand, there is instability in the market conditions.
3. An entrepreneur can not estimate market demand and their cast correcthy.
4. In less developed countries, the domestic market is small. Entrepreneurs in these countries cannot face the foreign competitors.

(iv) Non-Availability of Raw Materials

The supply of raw materials is not uniform throughout the year. Due to lack of storage facilities, raw materials cannot be stocked in plenty.

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(v) Lack of Skilled Labour

In underdeveloped and developing countries, the traditional skills of labours are highly insufficient to work in modern industrial jobs.

1.6.2 Social Factors

Social factors play a significant role in encouraging entrepreneurship in a country. Some of the social factors are as follows.

(i) Customs and Tradition

In under developed and developing countries, customs and traditions play a dominant role in production decision making. Entrepreneurs followed customs and traditions than their individual initiative.

(ii) Non-Rational Society

A society is said to be rational when decisions relating to the utilisation of resources are based an empirical facts and critical scientific standards. Hence Entrepreneurship is unsuitable in under developed countries because of the facture of a non-rational society.

(iii) Social Setup

In less developed countries, a very little importance was given to education, research and training. This situation can not be produced entrepreneurs with skills and aptitudes. If joint family system is in vogue, entrepreneurship cannot be developed.

An invoice is an official document that lists goods and services that you have received and says how much money you one for them.

1.6.3. Cultural Factors

In a country, the prevailing of cultural factors will decide level of entrepreneurial activities. The motives of entrepreneur are profit maximisation, attaining social status, occurring prestige etc. These motives would encourage entrepreneur to invest more. In less developed countries, people have greater scope for getting social status by non-economic activity. Hence entrepreneurship is not developed.

1.6.4. Personality Factors

(i) Distrust Personality

In less developed countries, people tend to see an entrepreneur as a suspect personality. People though that an entrepreneur only as profit maker and an exploiter.

(ii) Emergence of Planning

In developed countries, people would prefer to resort planning as a means of achieving economic progress. Planning imposes controls and this goes against the very personality of the entrepreneurs.

1.6.5. Psychological Factors

There are many psychological factors that affect entrepreneurship. Psychological consequences of social change like a radical loss of status are the root cause of entrepreneurship. According to coole, "Besides wealth, entrepreneurs seek power, prestige, security and service to society.

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1.7 Characteristics of an Entrepreneurship

Entrepreneur is a human being who has his dignity, self-respect, values, sentiments, aspirations and dreams aport from economic status. A true entrepreneur should possess the following entrepreneurial endowments.

1. Risk bearing
2. Hardwork
3. Decision making
4. Innovation
5. Desire for high achievement
6. Motivator
7. Problem solving
8. Opportunity seeking
9. Systematic planning and
10. Technical knowledge and willingness to change out of the above characteristics.

An entrepreneur is characterised on the two basic elements.

1. Innovation

An entrepreneur must do something new or something different. This quality is a prerequisite for entrepreneurship. Even though entrepreneurs are not the inventors of new products, they have the capacity to apply these inventions for the benefit of their entreprises and also the customers.

According to Schumpeter, many entrepreneur occurs in any one of the following forms.

a. The introduction of a new product
b. Opening of a new market into which a specific product has not previously entered.
c. The discovery of a new source of supply of raw material.
d. By creating a monopoly position or the breaking up of it, an entrepreneur develops a new form of organisation of an industry.

2. Risk Bearing

An important function of an entrepreneur is to reduce uncertainty in his plan of investment and expansion of the enterprise, due to the introduction of something new and different, entrepreneurship necessarily involves risk bearing. Severe competition, change in government policies, change in the taste and preference of customers, shortage of labour and raw materials will affect the profit of an enterprise.

1.8 Difference between Entrepreneur and Entrepreneurship

Though the two terms entrepreneur and 'entrepreneurship' are two sides of the same coin, conceptualy they are different. Basically, entrepreneur is a business leader and the functions performed by him in relation to that business is entrepreneurship.

The relationship between entrepreneur and entrepreneurship is given in the following table.

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Table - 1
Relationship between Entrepreneur and Entrepreneurship

Entrepreneur	**Entrepreneurship**
Person	Function/Process
Organiser	Organisation
Innovator	Innovation
Leader	Leadership
Motivator	Motivation
Risk-bearer	Risk-bearing
Initiator	Initiative
Visualiser	Vision
Technician	Technology
Imitator	Imitation
Creator	Creation
Administrator	Administration

1.9 Check your progress:

Check your progress:

1. Define Entrepreneurship?
2. State any five Significance of enterprener?
3. List out the factoers of fecting entreprenership?

1.10 Summary

Entrepreneur needs to have certain knowledge, skill and traits to plan, implement and manage the small entreprises. The entrepreneur is always on the lookout of making the economic system at its dynamic best. Entrepreneurs stimulate progress by means of their entrepreneurial activities and act as the main agent of motivation to achieve economic development. They have the ability of transforming the nation from under developed economics to developed economics. Entrepreneurs are motivated not by profits alone. Several research studies have been conducted in India to identify the factors that inspire entrepreneurs. These factors are educational background, occupational experience, desire to work independontly in manufacturing line, family background, availability of techonology /raw material and assistance of from financial institution.

1.11 Short Answer Questions

1. Who is an intrapreneur?
2. Define entrepreneurship.
3. Differentiate entrepreneur from entrepreneurship.

4. State the importance of entrepreneur.

1.12 Long Answer Questions

1. Describe the factors influencing entrepreneurship.
2. Give an account of evolution and growth of entrepreneurship in India.
3. Explain the main functions performed by an entrepreneur.
4. “Entrepreneur is a doer not a dreamer”. Explain the characteristics of an entrepreneur.

1.13 Answer to check your process

5. J.A. Schumpeter says, "A person who introduces innovative changes is an entrepreneur and he is an integral part of economic growth".
6. According to Webster, "Entrepreneur is one who assumes risk and management of business".
7. Entrepreneurs promote a country's export trade which is an important ingredient to economic development.
8. Entrepreneurs establish business and industires ventures which provide the unemployment problem in the country.
9. Entrepreneurs promote economic development by coming forward to assume risks of productive ventures.
10. Entrepreneurs act as catalyst or agent of economic development by perceivoing opportunities and putling them into action.
11. Realising the importance of entrepreneurship development the planners and policy makers have formulated Entrepreneur Development Programmes (EDP) for various target groups of population in the country.
12. Economic factors
    - Social factors
    - Cultural facotrs
    - Personality factors
    - Psychological factors

UNIT - 2
TYPES OF ENTREPRENEUR

Structure

Notes

2.1 Introduction

In underdeveloped countries, entrepreneurs tend to have less initiative and drive, as development proceeds. They become more innovating and enthusiastic. The types of entrepreneur based on different classifications as mentioned below.

2.1.1.Objectives of Learning

To understand the types of entrepreneur under different heads.

2.2. According to Type of Business

On the basis of type of business, the entrepreneurs can be classified as follow.

2.2.1. Business Entrepreneur

Business Entreprenurs conceive an idea for new product and create a business to convert their idea into reality. For example, small business units such as printing press, textile, advertising agency etc,..

2.2.2. Industrial Entrepreneur

Industrial entrepreneur has the ability to convert economic resources and technology into a profitable venture. He is a manufacturer who identifies the needs of customers. He is a product oriented person for manufacturing and marketing some new products.

2.2.3. Corporate Entrepreneur

Corporate entrepreneurs have their own innovative skill in organising and managing a corporate undertakings. A corporate undertaking is registered under the companies act.

2.2.4. Agricultural Entrepreneur

Agricultural entrepreneur is a person who undertakes agricultural activities such as raising and marketing of crops, fertilizers and other inputs. They are encouraged to use modern technologies, irrigation and mechanization.

2.2.5. Trading Entrepreneur

A person who undertakes trading activities only is called trading entrepreneur. He stimulates demand for his chosen product line through potential marketing strategy.

2.3 According to Use of Technology

The growth of business depends upon the application of new technology in various sectors. Entrepreneurs are classified on the basis of technology.

2.3.1 Technical Entrepreneur

The main objective of technical entrepreneur is to develop a new and improved quality of goods. He concentrates more on production.

2.3.2 Non- Technical Entrepreneur

A person who is not concerned with the technical aspects of the product called as non-technical entrepreneur. He concentrates only on developing his business, marketing and distribution strategies to promote his business.

2.3.3. High-Tech Entrepreneur

A person who has some special skill in a particular area and apply this skill into profitable opportunities.For example scientists, computer professionals.

2.3.4. Low-tech Entrepreneur

A person who has some basic trading skills for the operation of particular activity. For example welders, software engineers etc.,

2.4According to Motivation

2.4.1. Pure Entrepreneur

A pure entrepreneur is a person who is motivated by psychological and economic benifits (rewards).

2.4.2. Induced Entrepreneur

A person is induced to perform entrepreneurial task due to government policy. Government provided financial assistance, incentives, concessions and basic overhead facilities to start a business.

2.4.3. Spontaneous Entrepreneur

A person who has initiative boldness and confidence will be motivated to undertake entrepreneurial activity. This special ability will help the entrepreneur to achieve his objectives.

2.5. According to Growth

Business is classified on the basis of growth of a business / firm to satisfy human wants in a society.

2.5.1. Growth Entrepreneur

Growth entrepreneur is a person who plans to achieve its objective to grow and expend a business by its quality, quantity and turn over. Entrepreneurial growth can be in terms of innovators, business developers, expenders, customers etc. This type of entrepreneurs choose an industry which has substantial growth prospects.

2.5.2. Super-Growth Entrepreneur

A person who takes risks to achieve enormous growth of performence in his business is called super-growth entrepreneur. The growth performence is identified by the liquidity of funds, profitability and gearing.

2.6 According to the Stages of Development

Entrepreneurs are classified on the basis of the stages of development. The three stages are first generation entrepreneur; modern entrepreneur and classical entrepreneur.

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2.6.1. First-Generation Entrepreneur

A first generation entrepreneur starts industrial unit by his innovative skill. He is an innovator, combining different technologies to produce a marketable product or service. He does not have any entrepreneurial back ground.

2.6.2. Modern Entrepreneur

A modern or second generation entrepreneur undertakes his business activity according to the changing demand in the market. His business activity suits the current marketing needs.

2.6.3. Classical Entrepreneur

A classical entrepreneur deals his business activity on the basis of the needs of customers and marketing requirements through the development of a self-supporting venture, He is a stereotype entrepreneur. The main aim is to maximise his profit at a level consistent with the survival of the firm with or without an element of growth.

2.7 Summary

Entrepreneur is classified on the basis of his activities and his innovative ideas. He is categorized according to his use of technology, type of business, motivation, growth and stages. The study of this classification of entrepreneur is essential to understand the growth and development of business / firm. According to the nature of a business / an enterprise, any one of the feature from categories is selected for implementing to attain his goal.

2.8 Check your progress

Check your progress:

1.Define the corporate Entrepreneur?

2.what is trading entrepreneur?

3what are the types of entrepreneur on the basis of Motivation?

4.what is the growth entrepreneur?

2.9 Short Answer Questions

1. Who is an innovative entrepreneur?
2. Give an short note on Fabian entrepreneur.
3. Classify entrepreneur on the basis of the stages of the development.
4. Define non-technical entrepreneur.
5. Define induced entrepreneur.

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2.10 Long Answer Questions

1. Explain about technological entrepreneur.
2. Discuss the difference between self-employed person and entrepreneurship.
3. Describe the entrepreneurs based on the uses of the technologies.
4. Explain the difference between entrepreneur and manager.

2.11 Answer to check your process

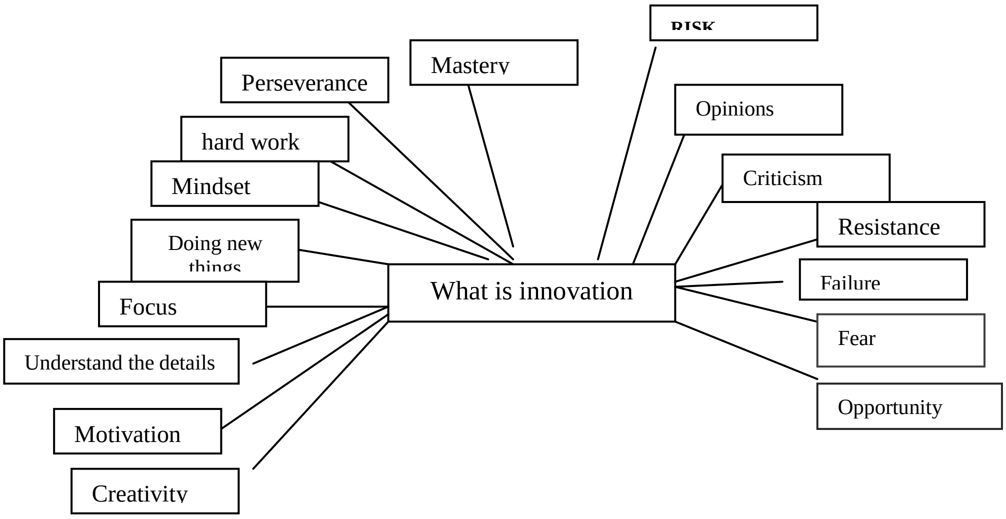
1. Corporate entrepreneurs have their own innovative skill in organising and managing a corporate undertakings. A corporate undertaking is registered under the companies act.
2. A person who undertakes trading activities only is called trading entrepreneur. He stimulates demand for his chosen product line through potential marketing strategy.
3. A pure entrepreneur is a person who is motivated by psychological and economic benifits (rewards).

A person is induced to perform entrepreneurial task due to government policy. Government provided financial assistance, incentives, concessions and basic overhead facilities to start a business.

A person who has initiative boldness and confidence will be motivated to undertake entrepreneurial activity. This special ability will help the entrepreneur to achieve his objectives.

4. Growth entrepreneur is a person who plans to achieve its objective to grow and expend a business by its quality, quantity and turn over. Entrepreneurial growth can be in terms of innovators, business developers, expenders, customers etc. This type of entrepreneurs choose an industry which has substantial growth prospects.

Creativity is intelligence having fun-Albert Einstein



BLOCK II
UNIT – 3 - ENTREPRENEURSHIP CREATIVITY AND MANAGEMENT

Structure

3.1. Introduction

Every leader and entrepreneur need creativity. Entrepreneurs succeed by thinking and doing new things or old things in new ways. Creativity is the thinking of new things, the ability to develop new ideas and to discover new ways of looking at problems and opportunities. Lack of creativity could easily drag business into the stagnation mode.

Carland, Hoy, Boulton and Carland (1984) extended and specified Schumpeter's idea, saying that entrepreneurs should have the following features.

- introduce new goods
- introduce new services
- introduce new methods of production
- open new markets
- open new sources of supply
- re-organise industry

3.2. Barriers to Innovation and Creativity

Innovation and creativity have the following barriers.

1. searching for the one 'right' answer
2. focusing on being logical
3. blindly following the rules
4. viewing play as frivolous
5. becoming overly specialized
6. avoiding ambiguity
7. fearing looking
8. fearing mistakes and failure
9. believing that i am not creative.

3.3 Four Phases to Avoid Innovation and Creativity Barriers

There are four phases to avoid. Barriers they are as follows :

1. knowledge accumulation e.g. reading, professional canferences, talking, visit to library
2. incubation process, e.g. exercise
3. Idea or 'eureka' experience, usually this phase slowly but surely formulates the solution.
4. Evaluation and implementation e.g. proto types, advice.

3.4 Check your progress

Check your progress

1. List out the barriers to innovation and creating?
2. Explain the steps in the creativity

3.5 Relationship between innovation and creativity :

Over the last decades, innovation and creativity have become critical skills for achieving success in developed economies. The need for creative problem solving has arisen as more and more management problems require creative insights to find suitable solutions. Creativity goes hand in hand with innovation. And there is no innovation without creativity. While creativity is the ablity to produce new and unique ideas, innovation is the implementation of creativity- that is the introduction of a new idea, new solution, new process or new product. Creativity improves the process of solving problems.

Entrepreneurship = Creativity + innovation

Creativity :

Creativity is intelligence having fun – Albert Einstein

What innovation is about

Mastery, Perseverance, hand work, mindset, doing nettings, focus, understand the details, motivation, creativity, Risk, Opinions, Criticism, Resistance, Failure, Fear, Opportunity.

3.6 Steps in Creativity:

There are 4 steps or stages in creativity.

There is commen concepts of left brain and right brain that respectively control logical thinking and creative thinking.

The Creative Process can be divided into 4 stages.

1. Preparation, 2. Incubation, 3. Illumination, 4. Verification.

1. Human brain is collecting (or) gathering information. Creative ideas don't come from vacuum.
2. Human mind can wander and stretch the business ideas.
3. Creative entrepreneur make connections between creative ideas.
4. Creative ideas need to be polished by critical thinking in order to persuasively reach their customers (desire). The Creative process provides the full procedure for giving birth to Creative ideas from no more than a hint.

1. If entrepreneur wants his brain the come up with innovative notions, he needs to feed his brain materials to work with. This process is essential which involves trying to learn lots of things. This process is called preparation.
2. This stage is an important stage where an entrepreneur might actually want to climb into the bath tub or go for a walk and stop consciously thinking about the problem to solve.

3. The scientific name of Illumination is the classic 'eureba'. According to Kanfman, creative or new ideas are connected automatically subconsciously collide and reach the threshold of consciousness.
4. An entrepreneur need to use again those critical thinking skills to think about customers in a business and craft his message or idea. Sometimes, the grades because these ideas are not packaged in the right way or consumable.

3.7 Short Answer Questions

1. State the barriers to innovation and creativity.
2. Who is an entrepreneur according to Schumpeter?
3. What do you understand by the term 'creativity'?

3.8 Long Answer Questions

1. Explain the steps to avoid innovation and creativity barriers.
2. Explain the relationship between creativity and entrepreneurship.
3. Draw a flowchart to explain about applied creativity.

3. 9Answer to the check your progress

1. Barriers

- Searching for the one 'right' answer
- Focusing on being logical
- Blindly following the rules
- Viewing play as frivolous
- Becoming overly specialized

- Avoiding ambiguity
- Fearing looking
- Fearing mistakes and failure
- Believing that i am not creative.

2. 1.Preparation,

2. Incubation,

3. Illumination,

4. Verification.

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UNIT - 4
INNOVATION AND INVENTIONS

Structure

Learning Objectives

By the end of this unit, you should be able to learn the yollowing

1. To Identify sources of ideas for business opportunities.
2. To explain how innovation is linked to brain function in a business.
3. To understand legal protection of innovation.
4. To learn the theories of entrepreneurial motivation.

4.1 Introduction

Entrepreneurs play a strategic role in commercializing new inventions and products. Innovation becomes a different task, an entrepreneur should be always innovative to satisfy the varying demands of customers. It is a never ending process.

4.2 Meaning of Innovation

A person who is able to foresees potentially viable and profitable opportunities through innovation is called innovative entrepreneur. Innovation is the key function of an entreprenur. He creates new values of what already exists, According to Peter.F.Drucker, An entrepreneur is "the one who always searches for change, responds to it, and exploits it as an opportunity".

According to J.A. Schumpeter, "A person who introduces innovative changes is an entrepreneur and he is an integral part of economic growth".

Hence, the entrepreneur should initiate research and innovative activities to produce new goods and services.

4.3 Relationship between Innovation and Invention

There are some difference between innovation and invention. Innovations are commonly found in developed countries. A country with little or no industrial tradition can hardly induce innovating entrepreneurs. An entrepreneur is not an inventor.

An inventor discovers new methods, new ideas and new articles. An invention is the little benefit to mankind unless it is marketable. Innovation refers to the implemetation of inventions and discovery to make new combinations and there by produce satisfaction and profits. The entrepreneur needs to apply invention after invention on a continuous basis to meet out the changing taste and preferences of consumers.

People thought that innovations are carried out by large firms. But most of the innovations are done by small firms. Large firms have powerful organisation structure, administrative skills and management skills but they have the need of flexibility, small firms are flexible in nature. They can react rapidly to new demands. Large firms have constraints of size and competition to increase profits. On the other hand, small firms try to exploit the gaps in the production system.

An entrepreneur must have the ability to foresees the opportunities to manage risks and create human capital and financial capital. An entrepreneur has to continuously adjust himself according to the changing circumstances.

Mistakes are the part of the innovation activity. Entrepreneurs must accept and learn something from the mistakes. Entrepreneurs need the ability to face risk and avoid the fear of failure. Entrepreneurs need to develop their own methodology which suits for their firms to attain success.

Implementation of idea is more challenging than idea generation.

4.4 Using Left Brain Skills to Harvest Right Brain Ideas

Human brain has two hemisphere they are right hemisphere and left hemisphere. These two hemispheres have different functions with valid neuroscience.

The right hemisphere of the brain is the creative side where boundless imagination, art and poetry prevail. The left hemisphere of the brain is the analytical side where conceptualisation takes place, through logical and rational process.

The concept of left-brain and right-brain thinking originated in the late 1960a, Roger W.Sperry was the first person who developed the concept Split Brain Theory. He was awarded the nobel prize in 1981 for the

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development of brain theory. He divided the brain into two hemispheres i,e, right and left in his theory. According to his theory, each hemisphere has specific behaviours. each brain hemisphere controls different types of thinking.

The two sided of brain communicate constantly. Many research concluded that a person's abilities are strongest when both halves of the brain work together.

Entrepreneurs with left brain dominance are highly practical, logical thinkers and analytical problem solvers. These skills are required to achieve successful business. Entrepreneurs with right brain dominance have visualization, creativity in business and a good communication skills.

Traditionally, the majority of entrepreneurs have been logical thinkers, problem solvers and pay attention to details. But now a days there is a big shift from the knowledge with left-brain foundation to a focus on the right brain features of creativity, relationships and collaboration.

Generally people are preferred one type of thinking over the other. In psychology, the theory is based on the late ralisation of brain function. Each hemispheres performs a number of roles. The two side of the brain communicate with one another via corpus callosum.

The left hemisphere controls the muscles on the right side of the body while the right hemisphere controles the muscles on the left side of the body the structure of brain that connects the two hemispheres of the brain.

4.5 Legal Protection of Innovation

Innovation means establishing new ideas and implementing into practice in a business or a firm. Most of the innovations can be protected through intellectual property rights. A firm seeks to introduce unique new value of product to its customers through innovation.

Legal protection is needed to protect knowledge and to prevent innovation from being exploited by a thrid party who did not participate in innovation. It is highly required to use the national and international means for the protection of Intellectual \Industrial property. This protection can be attained through patents, registry of designs, brands, logos and also with the help of the recognition of copy rights.

An intellectual property right is a legal right which is based on the relevant national law encompassing that particular type of intellectual property right. Intellectual property is a unique value-adding creations of the human intellect that results from human, ingenuity, creativity and inventiveness.

The grant of a property right by the government is a limited period of time.

For the protection of knowledge and to prevent a given innovation from being exploited improperly by a third party who did not participate to it. It is very much essential to use the national and international means for the protection of intellectual\ Industrial property. This protection can be attained through patents and utility models, and through the registeration of brands, logos and copyrights.

Patents, copyrights and brands create value from the freedom of acting, protecting product differentiation giving credibility to their holders, to assure the legal support for technological licensing.

Trademarks are required to run a business \ firm for the identifiation of products or services to differentiate their business from other companies products and services.

A logo is a sign which used to identify establishments, in advertisments, in printed materials or in the company's correspondence.

4.5.1 Importance of Legal Protection

The following are the importance of legal protection of innovation.

1. Legal protection in the form of patents, logos and brands helps to recognize a successful inventions. It servies as a reward for inventors.
2. The implementation of innovation in a business \firm helps the society directly or indirectly for business development and employment generation.
3. The revenues generated from innovation is useful to finace further techonological research and development.
4. The legal protection can help to stop unscrupulous third parties from free riding on the efforts of the inventor.

4.5.2. Intellectual Property Rights

The following forms of legal protection will come under intellectual Property rights.

- Patent
- Copyright
- Trademark

Tradesecrets

Trade secrets are used to protect the technical know-how of a business. Trade secrets are a type of intellectual property in the form of a formula, process, design, instrument, pattern, commercial method which a person or a company can obtain an economic advantage over competitors.

4.6 Check your Progress

Check your Progress I

1. Define innovation?
2. Differentiate innovation and invention?
3. State the features of Right brain?

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4.7. Theories of Entrepreneurial Motivation

Motive refers to an inner state of our mind that activated and directs our behavior towards goals. Motive provides directive to human behaviour to fulfill the needs.

Motivation refers to the psychological process that stimulates excitement to achieve goals. Motivation is highly individualized. Entrepreneurs use a wide range of techniques to keep their employees happy.

Motivation can be defined as the processes that motivate a person to encourage him to continue the course of action for the achievement of goals. Motivation is an on going process because of unlimited wants of human being which are to be fulfilled by a firm / business.

According to Dalton E.MC.Tarland, "Motivation refers to the way in which urges, drives, desired, striving aspirations or needs direct, control or explain the behaviour of human being".

The basic elements of motivation.

Theories of Motivation

Motivation theories are grouped under three heads.

1. Content theories
2. Process theories
3. Reinforcement theories

The motivation theories explain human motivation through human needs and human nature. Out of these there are three divisions of theories. The related theories of entrepreneurship are Maslow's Theory, Herjburg's Theory and McGragor's Theory.

4.7.1. Maslow's Theory

Abraham Maslow proposed a psychological theory in his paper "A theory of human motivation" in the year 1943. His theory is also known as the theory of Maslow's hierarchy of needs".

Maslow's theory is based on the human needs. According to maslow, people are motivated by the terms physiological, safety, belonging and love, social needs and self - autualization. Maslow theory is described with the help of pyramid shape. He classified the needs into five levels from bottom to top needs. He suggested that each level must be satisfied before the individual will desire to move the next level. For example, If a person is hungry, he will first demand food, before seeking respect and prestige. The pyramid given below explains.

The theory of Maslow describes the following propositions about human behavior.

1. Human wants are unlimited. As soon as the first need of a person is satisfied, another need arises. This process is endless.
2. A satisfied need is not a motivator. only unsatisfied needs motivated behavior.
3. The needs of a man are arranged in an ascending order of five successive categories.

Maslow's Hierarchy of Needs

Abraham maslow explains the five needs of human being from lower order needs to higher order needs. Physiological needs and safety needs are lower order. Social (belonging love), esteem needs and self - actualization needs are higher order.

1. Physiological Needs

Physiological needs are the basic needs of human life. The basic needs are food, clothing shelter, water, air and other necessities of life. These are biological requirements for human survival. According to Maslow, physiological needs are the most important needs than other needs.

2. Safety Needs

Safety and security needs are essential to feel free from economic risk and physical harm people require more money to fulfill these needs. People want freedom from fear, law and order. Entrepreneurs give rise to work more.

3. Social Needs (Love and Belonging)

The third level of human needs is social needs which involves love and feeling of belongingness. Social needs are associated with other people and be accepted by them, to love and to be loved. Examples for social needs are friendship, intimacy, trust, acceptance, receiving and giving affection and love. An entrepreneur is motivated to interact with fellow entrepreneurs, his employees, consumers, suppliers and other.

4. Esteem Needs

Maslow divided esteem needs into two groups.

- Esteem for oneself (prestige, dignity, mastery and independene).
- The desire for respect from others (status, prestige from others)

Hence people desire for achievement, competence, knowledge, recognition, confidence and appreciation. The role of entrepreneur is to satisfy the consumer's esteem needs by providing them status, reputation and independence.

5. Self-Actualization Needs

Self - actualisation means to achieve one's full potential including creative activities. The term self - actualisation was first coined by "Kurt Gold stein'.

Self - actualisation includes the requirement for realising one's capalities to the fullest for accomplishing a person who is capable. In order to become a successful entrepreneur, an entrepreneur can achieve self-actualisation to run his business effectively.

To summarise, According to Maslow, human beings are motivated by the five levels of needs. Needs are arranged in a hierarchy of prepotency from basic needs to higher needs. The order of needs may be flexible which based on external circumstances.

It is to be noted that Maslow's five stage model (1943,1954) has been extended to one lude cognitive and aesthetic needs and later. He included transcendence needs.

Merits

1. Maslow's theory is useful to all areas of man's life such as teachers, mministers, entrepreneurs and in other positions of leadership.
2. This theory explains how the different needs of human beings change overtime from basic economic needs to social needs and to self - actualisation.

Notes

Demerits

1. This theory is a non - testable theory.
2. It is very difficult to know about the needs of an individual. Because the behaviour of an individual is multimotivated.
3. The five stages of needs from basic needs to higher needs are not always fixed.

4.7.2. Herburg's Theory

"Frederick Herjburg is a behavioural scientist. He proposed two factor theory in the year 1959. Herjburg's theory is a model that divides motivational forces into satisfiers (motivators) and dissatisfiers (hygience factors). His theory is also known as the Motivator - Hygiene theory.

Herjburg analysed some job factors which influence the satisfaction of employees. Some motivations are helpful to workers to satisfy themself. The absence of motivation which made dissatisfied. Herjburg collected data from 200 engineers and accountants by using interview method in the Pitts Burgh area. He chosen this area because of their growing professions in the business world. He asked the engineers and accountants when they were exceedingly happy and unhappy with their jobs.

According to his analysis, the factors which satisfy the employees are achievement competency, status, personal worth and self - realization. The job related factors which dissatisfy the employees are company policies, supervision, technical problems salary, working conditions and poor relationship with their superiors and co-workers. Based on these finding, Herjburg developed the two - factors theory of work motivation.

Herjburg distinguished his theory between two separate set of factors which are responsible for the motivation and dissatisfaction of workers namely maintenance factors and motivators.

The two factors are:

1. Motivators
2. Hygiene factors

1. Motivators (or) Satisfiers

Motivators are the factors which can encourage employeees to work harder. These factors are found within the actual job itself. They relate directly to the job.

Motivating factors include achievement, recogniton, the work curiosity, responsibility advancement and growth.

a. Achievement

   The objective of an employee is to achieve his job. This achievement will provide a proud feeling of doing something difficult but worthwhile.

b. Recognition

   An employee must have job recognition and praise of his successes. An employee can get his recognition from his superiors and his peers.

c. Work Curiosity

The job / work must be interesting varied and provide to face a challenge to keep employees motivated.

d. Responsibility

Employees should hold themselves responsible for their job completion and satisfaction.

e. Advancement

An entrepreneur must encourage their employees by giving promotion opportunites and incentives.

f. Growth

An entrepreneur can create opportunity to his employees to learn new skills. This can happen by providing more formal training.

2. Hygiene or Maintenance Factors

According to Herjburg, Hygiene factors are the factors which cannot encourage employees to work harder. In other words, the absence of hygiene factors will cause empolyees to work less. Some factors are necessary to maintain a reasonable level of satisfaction. Hygiene factors are also called maintenance factors. Hygiene factors include company policies, supervision, relationships, working conditions, salary, status and security.

a. Company Policies and Administration

A company must frame its policy clearly and fair. Every employee should aware about his company's policy. A company policy must also be equivalent to those of competitors.

b. Supervision

An oppropriate supervision in a company is required to achieve goals.

c. Relationships

A healthy, friendly good natured, co-operative and peaceful relationship should exist between peers, superiors and subordinates.

d. Salary

A company should frame a pay structure in a reasonable manner.

e. Status

A company should maintain the status of all employees within the organisation. A status can be attained by performing a meaningful work.

f. Security

Notes

Entrepreneurs must provide job security to their employees. Employeesaslo feel that their job is secure and they are not under the constant threat of being laid-off.

To conclude that motivators referred to as factors for satisfaction and hygiene factors referred to as factors for dissatisfaction.

Limitations of the Theory

There are some common criticisms of Herjburg's motivation theory.

1. This theory is applicable to white callar employees.
2. It does not consider an individual situation
3. The theory concentrates on only improving employee satisfaction. It does not consider to increase productivity.
4. An employee satisfaction cannot be measured in this theory.

Check your Progress II

1. List out the importance of legal Protection?
2. What are the forms of legal Protection

4.7.3 McGragor's Theory

Douglas McGragor created the motivation theory which is also called as Theory X and Y Mc Gragor developed his motivation theory which was based on the works of Abraham Maslow's hierarchy of needs.

McGragor developed two theories of motivation. They are as follows:

1. Theory X
2. Theory Y

Theory X

Theory X highlights the importance of supervision, external rewards and penalties. Theory X is based on some assumptions.

1. An average employee tries to escape his work whenever possible
2. Employees in a company do not like their responsibilities.
3. Employees resist change
4. Most of employees in a company prefer job security first.
5. Employees have little or no ambition.
6. Managers in a company try to important a dictatorial style .
7. When the employees do not want to work, they must be compelled or warned by managers with punishment to achieve a company's goal.
8. A company needs a close supervision which is carried out by managers.

Theory X is based on a pessimistic view of employees and behavior at work. Theory x encouraged more control and supervision among employees. According to this theory, employees are reluctant to organizational changes. This theory does not encourage innovation.

Theory Y

Theory Y is based on the positive approach. In other words it is based on optimistic view of employees and behavior at work.

Theory Y is based on the following assumptions.

1. An average employee can recognize his responsibility.
2. An employee has his own skills and capabilities. An employee can fully utilize his skill such as creativity, innovative potential and resource fulness to solve the problems of a company or to achieve the company's goals.
3. An employee can realize his loyalty and his commitment to organization, when he has work satisfaction and receives rewards for his job.
4. An employee in a company can dedicate and sincere himself by using his self- direction and self-control to attain company's goals.
5. Employees perform their physical and mental efforts by relaxing themself to complete their job.

Now a days, many companys are using the techniques of theory y. According to theory Y, managers in a company should create a work place environment and motivate their employees with the help of their self-direction. Managers should encourage their employees to contribute in a company's well being. Theory Y gives importance to teamwork, decentralization of outhority and make the employees to participate in decision making in a organization.

4.8 Summary

Although theory X has largely fallen out of fashion in recent years. In a big organization, it is unavoidable to control the activities of employees and also they have several tiers of managers and supervisors to direct workers.

According to McGragor, theory Y is the superior to theory X The success of these two theories will depend on the team's needs and the objectives of a company an organization.

4.9 Short Answer Questions

1. Explain the term innovation.
2. What is the legal protection of innovation?
3. Define intellectual property right.
4. Why is trademark required for a business?
5. Define motivation.
6. What are the basic elements of motivation.
7. State the limitations of Herjburg's theory.

4.10 Long Answer Questions

1. Differentiate innovation from invention.

Notes

2. Describe the functions of left brain and right brain.
3. Explain the importance of legal protection.
4. Explain the two factors explained by Frederick Herjburg.
5. Explain Maslow's theory of motivation.

4.11 Answer to the check your progress

1. According to J.A. Schumpeter, "A person who introduces innovative changes is an entrepreneur and he is an integral part of economic growth".
2. An inventor discovers new methods, new ideas and new articles. An invention is the little benefit to mankind unless it is marketable. Innovation refers to the implementation of inventions and discovery to make new combinations and there by produce satisfaction and profits. The entrepreneur needs to apply invention after invention on a continuous basis to meet out the changing taste and preferences of consumers.
3. Entrepreneurs with left brain dominance are highly practical, logical thinkers and analytical problem solvers. These skills are required to achieve successful business. Entrepreneurs with right brain dominance have visualization, creativity in business and a good communication skills. Traditionally, the majority of entrepreneurs have been logical thinkers, problem solvers and pay attention to details.
4. Legal protection in the form of patents, logos and brands helps to recognize a successful inventions. It services as a reward for inventors.
    a. The implementation of innovation in a business \firm helps the society directly or indirectly for business development and employment generation.

    b.The revenues generated from innovation is useful to finace further techonological research and development.

    c . The legal protection can help to stop unscrupulous third parties

    d. from free riding on the efforts of the inventor.

5. Patent
   Copyright
   Trademark

UNIT - 5
SKILLS OF AN ENTREPRENEUR

5.1 Introduction

In the history of the world, the study of entrepreneurship reveals that a successful and ideal entrepreneur should possess some essential qualities and skills to discharge the entrepreneur functions in the most effective manner. Entrepreneurship is a quality which may be inherent or develop. For the economic development of a country entrepreneurial skills need to be developed. The skills of an entrepreneur lead to the development of business and ultimately, the result is seen in the economic growth of the country.

5.2 Skills of an Entrepreneur Development

The contemporary business sector is constantly changing, becoming more complex and challenging. At the same time, business competition is inevitable and tough, and react quickly to changes and constant developments. In particular, it is necessary for a young entrepreneur to possess strong entrepreneurship skills in order to cope with the difficulties and obstacles that he may face.

Science and Technology based, high-end skill building is an instrument, to improve the effectiveness and employability of youth, so as to contribute to the productivity of human resources having science and technology background. This also involves basic capacity building for enhancing employability and income earning potential of marginalized youths of the society. Skill training facilitates securing wage employment while entrepreneurial training would generate employment through setting up of

MSMEs. Training programs are also provided for hand holding support in post training phase thereby boosting the success rate.

5.3 Types of entrepreneurial Skills

According to the European **"SPARKS – Strenghtening Entrepreneurial"** program, some of the main skills are identified. They are as follows.

1. **Management and Leadership Skills**
   Young entrepreneurs consider management as a very important skill. Young entrepreneurs today should plan the activities that occur within their organization. The activities to organize, direct, coordinate and motivate their team members manage their time accurately, develop a spirit of co-operation, communicate their vision, inspire and control all the actions and activities of their business.
2. **Networking and Communication Skills**
   Communication plays a significant role to express their ideas in a clear and effective way, to persuade, influence, encourage, negotiate and develop interpersonal relationships with people both in the internal and external environment of their business.
3. **Planning a Business Plan and Access to Finance**
   It is very important to know how to design a business plan that will provide a clear and comprehensive presentation of the goals and activities. Young entrepreneurs can access to finance and the availability of financial resources are extremely important factors in order to maintain the sustainability of their business.
4. **Digital Marketing Skills**
   Digital skills are key factors in order to boost competitiveness, productivity, innovation and professionalism. The knowledge of using digital tools and technology is vital for an entrepreneur as well as for the growth of his business.
   The Institute of Entrepreneurship Development attended the 2nd meeting held in Florence on 9 and 10 May with the other project partners from Turkey, Italy and Portugal where they had the opportunity to discuss and develop the digital marketing skills.

5.4 Check your Progress

Check your Progress

1. Mention the types of entrepreneur skill?
2. List out the importance of entrepreneur skill?
3. Brief explain the steps in Decision making?

5.5 Need Importance of Entrepreneurial Skills.

The following the skills that every entrepreneur must have to be possessed.

1. **The Ability to Manage Money**
   An entrepreneur must manage his money, in a business. If the did not manage his money. He has to struggle to manage his business budget.
2. **The Ability to Raise Money**
   Once an entrepreneur knows to manage money in order to get his investment. He can understand where to get money and how to convincingly make a case that his business is a good risk as well.
3. **The Ability to Relieve Stress**
   Stress is no laughing matter. If an entrepreneur allows himself to get frustrated and upset by setbacks, he will struggle. Learning how to manage stress to his benefit is essential.
4. **The Ability to be Productive**
   This is a big topic. An entrepreneur should use his ability to be productive. He has to create his own productive plan for success in a business.
5. **The Ability to make Entrepreneur Friends**
   According to entrepreneur Jim Rohn. An entrepreneur must find his entrepreneur friends who will be able to understand his struggles and give his much needed insight.
6. **The Ability to Identify Strengths and Weaknesses**
   As a business owner, he does not need to be perfect at everything. He has to understand where he is strong and where he is weak. An entrepreneur has to assess his strengths and weakness to active his goals.
7. **The Ability to Hire Effective People**
   This is one of the most important skills any entrepreneur could have. Having effective people on his team will give him access to new strengths, while also building a company culture that people want to be a part of. Hiring the right people is essential to get where he wants to go.
8. **The Ability to Train New Staff**
   When an entrepreneur brings on someone new, a robust onboarding process will ensure that they know what to do and not do. Not only will help to keep his company moving the correct direction, it will increase the commitment level of good employees and give grounds to follow up on misconduct.
9. **The Ability to Manage Staff**
   Once entrepreneur the right people, they need to manage them well. If he does not already know how to manage, take the time to learn how to motivate, encourage, and develop their staff.
10. **The Ability to Conduct Basic SEO**
    Entrepreneur has to understand basic SEO and digital marketing. An entrepreneur wants to brush up on this area before he launches a business.

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11. **The Ability to A/B Split Test**
    A split test is a simple process that involves running a scenario two ways to test a possible change. It is commonly used to make websites effective, but it can be used in many areas of project management and marketing as well.
12. **The Ability to Connect through Social Networking**
    Along with SEO, social networks represent a key part of any business's marketing strategy. Not only he needs to understand each platform, he will want to arm himself with the best strategies for getting his startup and personal brand noticed on each one.
13. **The Ability to Focus on your Customers**
    An entrepreneur has no business without customers. He has to make sure all of his pitches, products, and services which are focused on actual customer needs. He should do research and ask questions so that he is able to give great customer service.
14. **The Ability to Close a Sale**
    Letting customers know entrepreneurs' pain is important, but asking for the sale is where many entrepreneurs get stuck. If he is nervous about this step, try enrolling in a sales workshop to learn these much-needed skills.
15. **The Ability to Spot New Trends**
    Business moves fast. If he has the ability to see changes coming in his industry. Make it a point to keep up to date on new startups and the advances in technology that could be poised to disrupt his field.
16. **The Ability to Deal with Failure**
    No business venture is a straight line to success; knowing how to deal with ups and downs is essential. Remember that every successful person out there failed dozens of times before getting a win. Failure is not the end. It is just a data point on the way to success.
17. **The Desire to Improve his World**
    The best and most enduring motivation is to make a positive change in the world. When he focuses his business and his success on that top priority, he will find himself ready to weather any storm to meet the goal. Being an entrepreneur is a big task, but all of these skills can be learned. If he notices his lacking in, his eventual success depends on it.

5.6 Decision making and Problems Solving

Problem-solving skills are extremely important in life and more in business. Regardless of your profession, industry or lifestyle, solving problems is part of everyday life. Entrepreneurs are individuals who turn ideas into reality and as a result, are very important in our society. The entrepreneurial journey is riddled with ups and downs and my ability to solve problems has given me great success in business. Problem-solving skills have developed and improved over time through experience and hearing about the experiences of other entrepreneurs.

5.5.1 Development of Problem Solving Skills

In order to solve problems each situation is different and therefore requires a different approach each time. Some business challenges, such as taking a new product to market to sell online can be very tough, and their solutions may require a lot more thought and critical evaluation than others. Other problems are very simple, and he can solve them easily, but regardless of how big or how complex a problem is, he will always need to find a viable solution. Part of being a great problem solver is knowing how to evaluate each situation and look at outcomes on a holistic level, analyzing how your solutions will affect his business in the long term. Once he finds himself in a deep problem, he simply needs to evaluate the situation and apply these skills. He will be surprised at how some of the things he perceived as tough actually turn out to be straightforward.

There are the six problem-solving skills that any entrepreneur should master:

1. Critical Thinking

Most of us tend to make fast decisions in a problem. We simply execute the first idea that comes into our minds without taking the time to think about the issue at hand.

Critical thinking is the process of taking time to digest the issue at hand logically before making a judgment. Using this skill, a person will analyze all the factors that are related to the problem and come up with a suitable and satisfactory conclusion. This problem-solving skill is especially important in business when making decisions related to finances, legal issues, and employees. Being able to critically think about issues is central to success in life and in business.

2. Creativity/ Lateral Thinking

Lateral thinking is the ability to think outside the box when solving problems. The different types of entrepreneurs that there are innovators and imitators. Imitators have a one-dimensional view of life and tend to think that solutions to one problem will work for everything. Innovators, on the other hand, believe in thinking differently about problems. As entrepreneur has to ask several questions about the issue and making solid conclusions that lead to good solutions. Creativity entails allowing his mind to wander and dig deep into the problems at hand, going beyond the surface and using his critical thinking problem-solving skills to analyze each issue.

3. Initiative

Initiative is the central to becoming a successful entrepreneur. Not only is it important in terms of customer acquisition, it helps to solve a problem. Proactive entrepreneurs are always looking for new ways to do things, to communicate with their staff and to improve their product or service, inadvertently reducing the risk of having problems in the future. The initiative of an entrepreneur is developed over time and he is passionate about his product and determined to succeed; qualities that investors love to see. Any good problem-solver knows how to research, find similarities between themselves and others and use their initiative to seek out good solutions to problems and part of being a good problem-solver is the ability to keep going regardless of how many times you fail.

Notes

4. Persistence

Persistence, (determination or perseverance) is a key trait of successful people. Problems come in different ways, some are technical and some are financial. In most cases, the more complex the problem, the more critical thinking and persistence required. Persistence is an important problem-solving skill that is often misunderstood by a lot of people. Being persistent does not necessarily mean doing the same thing over and over again and expecting a different result. An entrepreneur has to be wise in his decision making and determined to achieve the best outcome through constant evaluation.

5. Flexibility/Adaptability

Flexibility or adaptability is the ability to be open-minded and open to new opportunities and change. This is true for the founders of Slack, a billion dollar productivity software company which came about after the founder failed in his quest to create a video game. An entrepreneur should be able to change his mind to suit different situations or circumstances. Some can backfire and leave you quite frustrated. By being flexible, he will be able to apply different solutions to solve an issue. This is far much better than sticking to a single solution that is not yielding any fruits. A flexible person is also open to receiving suggestions from other people who may be experts in solving similar problems.

6. Self-Discipline

Finally, an entrepreneur needs to be focused and disciplined. Regardless of how good he is at solving different problems, his efforts may not bear any fruits if he does not have self-discipline. This is the ability to control himself and remain focused on finding the solutions to the problem. Constantly evaluating situations and thinking critically about them require a certain level of discipline which he must have to become successful.

By being self-disciplined, he will be able to remain on the right path without being distracted by any external factors. This skill will also help him to be fully committed to finding the best solutions each time.

5.5.2 Steps in Decision making

It does not matter what kind of problem that an entrepreneur is facing. The most important thing is how he solves it. These six problem-solving skills can be used whenever he finds himself in a tricky situation.

A. Decision-Making Process

The decision-making process is one of the most critical processes in his business. He can see different types of this process in reality, but generally, they all have the same purpose – effective and efficient decision that will bring results in his business. The most common in used approaching in the decision-making process is according the following steps:

1. Recognize the Problem – The Gap

Every decision-making process starts with the problem or some discrepancy that exist between the desired and current state. The difference between desired state and existing state is the gap or problem that he must solve through the decision-making process. In this step, he can start with his vision about the desired state of his company and goals he want to achieve. The following are some questions he need to answer as a part of this step in his decision-making process:

- What are the most critical desired states for a small business?
- How close is the small business to these states?
- Why is an entrepreneur close or not close to the desired states?
- What are the most significant problems?

2. Analyze the Problem

After finding possible problems, an entrepreneur can start with the analysis of impact of problems on the achievements in a small business. In his analysis, he needs to find causes the impact on a small business. If the impact of the problem is higher, also the importance of the problem will be higher.

3. Define Possible Solutions

When an entrepreneur needs to start brainstorming all possible solutions for a given problem. For the most critical problems, he analyzes to create possible solutions. An entrepreneur thinks about the causes of the problems. The decision-making process needs to include possible causes of each identified problem.

4. Analyze all Possible Solutions

An entrepreneur needs to analyze all proposed solutions to rank them and make a decision that he will implement in the future. This step will need to give the rankings of all possible solutions from the best ones at the top to the worst ones at the end of his list in the decision-making process.

5. Select the Best Solution for the Application

An entrepreneur selects the best possible solution to the problem.

6. Implement the Decision

Once the decision-making is selected to solve problem, it should be implemented. After implementing, it is essential to check the results to the specific solution in the identified problem.

5.7 Training

Training involves improving the effectiveness of an entrepreneur. Training is a program that helps entrepreneurs learn specific knowledge or skills to improve the performance in a business.

5.7.1 Training Skill Entrepreneurs Development

Some of the institutions, which support entrepreneurs in our country are as follows:

1. Small Industries Development Organization (SIDO)
2. National Small Industries
3. Corporation Ltd.(NSIC)
4. State Small Scale Industries Development Corporations(SSIDCs)
5. Small Scale Industries Board (SSIB)
6. India Investment Centre(IIC)
7. Small Industries Services Institutes(SISIs)
8. District Industries Centres (DICs)
9. Industrial Estates

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10. National Institute for Entrepreneurship and Small Business Development
11. (NIESBUD), New Delhi, Central Institute of Tool Design (CITD), Hyderabad.
12. Central Tool Room and Training Centres (CTTC)
13. Central Institute of Hand Tools (CIHT)
14. Institute for design of Electrical Measuring Instrument (IDEMI). Mumbai.
15. National Institute of Small Industries and Extension Training (NISIET), Hyderabad
16. Technical Consultancy Organizations(TCOs)
17. Institute for Entrepreneurship Development (IEDs) and Centres for Entrepreneurship Development(CEDs) Central Silk Board The Coir Board
18. Entrepreneurship Development Institute of India (EDI), Ahmedabad.
19. Rural Development and Self – Employment Training Institute (RUDSETI).
20. National Bank for Agriculture and Rural Development (NABARD).
21. Export – Import Bank of India (EXIM Bank)
22. Regional Rural Banks(RRBs)
23. National Industrial Development Corporation Ltd (NIDC).
24. Commercial Banks.
25. Khadi and Village Industries Commission (KVIC).

5.8 Short Answer Questions

1. Give short note on skills of an entrepreneur.
2. State the skills of an entrepreneur.
3. What is the decision making in a business?
4. How is critical thinking useful in a firm/business?
5. Mention any six instituitions that provide training for entrepreneur in India.

5.9 Long Answer Questions

1. What are the skills of an entrepreneur? Explain.
2. Why are skills required for an entrepreneur?
3. Explain the problem solving skills that an entrepreneur needed.
4. Evaluate the steps in decision making process in a business.

5.10 Answer to the check your Progress

1.

1. Management and Leadership Skills
2. Networking and Communication Skills
3. Planning a Business Plan and Access to Finance
4. Digital Marketing Skills

2.

- The Ability to Relieve Stress
- Stress is no laughing matter. If an entrepreneur allows himself to get frustrated and upset by setbacks, he will struggle. Learning how to manage stress to his benefit is essential.
- The Ability to be Productive
- This is a big topic. An entrepreneur should use his ability to be productive. He has to create his own productive plan for success in a business.
- The Ability to make Entrepreneur Friends
- According to entrepreneur Jim Rohn. An entrepreneur must find his entrepreneur friends who will be able to understand his struggles and give his much needed insight.
- The Ability to Identify Strengths and Weaknesses
- As a business owner, he does not need to be perfect at everything. He has to understand where he is strong and where he is weak. An entrepreneur has to assess his strengths and weakness to active his goals.

3. The most common in used approaching in the decision-making process is according the following steps:

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3. Define Possible Solutions

When an entrepreneur needs to start brainstorming all possible solutions for a given problem. For the most critical problems, he analyzes to create possible solutions. An entrepreneur thinks about the causes of the problems. The decision-making process needs to include possible causes of each identified problem.

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An entrepreneur needs to analyze all proposed solutions to rank them and make a decision that he will implement in the future. This step will need to give the rankings of all possible solutions from the best ones at the top to the worst ones at the end of his list in the decision-making process.

UNIT - 6
ENTREPRENURSHIP CULTURE

Notes

Structure :

6.1 Introduction

The popular definition of culture as give by Edward Burnett Tylor is. “Culture of Civilization is that complex whole which includes knowledge, belief, art, morals, custom and capabilities and habits acquired by man as a member of Society”.

Culture is transmitted from generation to generation by learning processes rather than biological inheritance. Culture consists of tangible

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man made objects like automobiles, clothing, furniture, buildings etc. and intangible non material concepts such as laws, morals, languages, ideals, values etc.

6.2 Meaning of Entrepreneurial Culture

Entrepreneurial Culture implies vision, values, norms and traits that are conducive for the development of the economy. The emerging market environment and globalization is challenging every organization and every person in the organization to consider, evaluate and bring about changes in thinking, vision and action.

According to Stevenson and Gunpet, Corporate Culture may be classified into entrepreneurial culture and administrative culture. Entrepreneurial Culture, in the view of Stevenson and Gunpet, focuses on the emergence of new opportunities, the means of capitalizing on them and the creation of the structure appropriate for pursuing them. Administrative Culture is the Corporate Culture which focuses on existing opportunities organizational structures and control procedures.

6.2.1 Important Characteristics

The important characteristics of entrepreneurial focus are :

1. Strategic orientation, i.e., the entrepreneurial managers will be driven by perception of opportunity.
2. Commitment to seize opportunities. They will be revolutionary with short duration.
3. Commitment and control resources, effective utilization of resources.

6.2.2 Subcultures of entrepreneurship

1. Culture of a Business
2. Productivity Culture
3. Total Quality Culture
4. Organisation's Culture

1.Culture of a Business

Business culture is the manner in which the members of business group regulate their behavior in order to be in harmony with each other and with other business groups. Business Culture is the sum total of the norms, belief and values that regulate the behavior of individuals and groups within any given corporation.

Business ethics is concerned with rightness or wrongness, goodness or badness of the people carrying out the activities of a business. Ethics are supposed to provide the basis for deciding the correctness of a particular course of action, and there exists a given set of criteria for judging the correctness and merits of actions.

In a country like India, where there is a highly heterogeneous society, what is acceptable to one segment of society may not be acceptable to other.

Notes

2.Productivity Culture

Improvement of productivity is not by just doing things better, but it is doing the right things better. Human potential diminishes if not properly used and this sub – optimal utilization of manpower is the main reason for brain drain in many developing countries.

The key to productivity is the attitude of employees who work together. Organisations should conduct a periodical opinion surveys to feel the pulse of employees, get feed back and initiate timely corrective measures.

3.Total Quality Culture

Total Quality Culture is sum total of the norms, belief and values that regulate the behavior of individuals and groups within an organization. TQC is an integration of all efforts in the organization in achieving total quality, customer care and employees satisfaction.

4.Orgnaisation's Culture

Culture enables organisation to function as a collective unit. The Culture consists of strong norms and values that heavily influence the behavior of people, how they work together and pursue the goals of the organization. Values are the beliefs and, moral principles that lie behind the company's Culture.

6.2.3 Steps to change Entrepreneurial Culture

Changing entrepreneurial culture needs a gown-to-earth action that will set a good example at the top. The ten steps given below will help an entrepreneur to create a culture supportive of change.

1. Start at the top. Lead the enterprise
2. Attune to a Culture of innovation
3. Remove the hidden obstacles
4. Create an integrated enterprise culture.
5. Create a marketing Culture.
6. Create a listening environment.
7. Absorb competing technologies and involve people.
8. Do not let product innovations fool you.
9. Be flexible and open for diversification and new ideas.
10. Always be ready to change cultures.

6.3 Check your Progress

Notes

Check your Progress

1. What are functions of women Entrepreneur?

2. Brief explains the factors affecting the women Entrepreneur?

3. State the organizations established by the Government of india to provide training for women?

4. Explain any five problems entrepreneurs?

5. Write any five reasons for rural entrepreneurship?

6.4 Entrepreneurial society

Entrepreneurship is an approach by start-up companies and entrepreneurs, in which they develop, fund and implement solutions to social, cultural, or environmental issues.[1] This concept may be applied to a wide range of organizations, which vary in size, aims, and beliefs.[2] For-profit entrepreneurs typically measure performance using business metrics like profit, revenues and increases in stock prices. Social entrepreneurs, however, are either non-profits, or they blend for-profit goals with generating a positive "return to society". Therefore, they must use different metrics. Social entrepreneurship typically attempts to further broad social, cultural, and environmental goals often associated with the voluntary sector[3] in areas such as poverty alleviation, health care and community development.

At times, profit-making social enterprises may be established to support the social or cultural goals of the organization but not as an end in itself. For example, an organization that aims to provide housing and employment to the homeless may operate a restaurant, both to raise money and to provide employment for the homeless.

6.5 Women Entrepreneurship

Women are fifty percent of the world's population. They do the two-thirds of the world's work hours. They receive ten percent of the world's income. They own less than one percent of world property. Women have confined their activities to selected profession, such as education, nursing, medicine and office work.

Women have been victim of social prejudices and discrimination. Women generally are considered weak, passive, dependent and people-confined household affairs. Very few women get the opportunity to go for jobs. Women are not treats as equal partners in a male dominated society.

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In the present modern society, they have come out of the four walls and take part in all sorts of activities competing successfully with men. This has become possible because of the increase in women's education, social and occupational mobility, legal safeguards, industrialization and urbanization. It has been proved globally that women have been performing exceedingly well in various fields such as education, administration, politics, sports, medicine, aeronautics, trade and industries and social work. India is the world's largest democracy which was headed by a woman Smt. Indira Gandhi is a big complement to the capacity, caliber and character of women.

6.5.1 Definition of Women Entrepreneurship

A women or a group of women who initiate, organize and run a business enterprise is defined as women entrepreneur(s). The Government of India has defined woman entrepreneur as "an enterprise owned and controlled by a woman having a minimum financial interest of 51% of the capital giving atleast51% of the employment generated in the enterprise to women".

According to Schumpeter, an entrepreneur is an innovating individual who introduces something new into the economy.

6.5.2 Function and Role Women Entrepreneurs

Women entrepreneurs should perform all the functions to establish an enterprise. Women entrepreneurs conceive the idea of a business enterprise, initiate it, organize all the factors of production, operate the business, accept risks and manage the economic uncertainty involved in business.

The following functions are given by Frederick Harbision.

1. Exploration of the prospects of starting a new business.
2. Under taking of risks and managing economic uncertainties
3. Ready to introduce innovation without any hesitation.
4. Co-ordination administration and control.
5. Regular internal supervision.

The main functions of women entrepreneur can be categorized under three heads

1. Risk bearing
2. Organisation
3. Innovation

6.5.3 Factors Influencing the Women Entrepreneurs

There are two factors which affecting women entrepreneurs in India.

1. Pull factors
2. Push factors

1. Pull Factors

Pull factors encourage women to become entrepreneurs. Women want to do something new in life. The other pull factors are the need for independence, availability of finance, concessions and subsidies.

2. Push Factors

Push factors are those which compel women to carry out a business . Push factors are unfortunate family circumstances like death of husband or father, financial difficulties, responsibility in the family etc.

Notes

6.5.4. Qualities of Women Entrepreneurs

Generally, women have some outstanding skills and qualities to perform all the functions involved in their job. Women entrepreneurs have the following qualities.

a. Hardworking
b. Patient
c. Accept challenges
d. Ambitious
e. Educated
f. Enthusiastic
g. Eager to learn new ideas
h. Motivated
i. Perserveance
j. Optimistic
k. Intelligent
l. Full of drive

6.5.5 Growth of Women Entrepreneurs

Now women enter the business but to the breakup of the joint family system and the need for additional income to maintain living standards. The US Bureau of census reported in 1977 that were only, 7,02,000 Business that were owned by women. This was only 7.1% of the total business firms in US. At present it is increasing at a rapid rate. The highest number of women are found in laundries, dry cleaning, private nurseries, hotels textile mills construction firms, beauty parhours and other business.

In earlier days Indian women were engaged in the unorganized sectors like agriculture, handicrafts, hand looms and cottage based industries.

In India, the percentage of women entrepreneurs is negligible in the total entrepreneurs. The social, psychological and economic barrier inhibit the emergence of women entrepreneurs in India. Due to the spread of education and the growing awareness among women, various government agencies and voluntary bodies like Mahila Mandal have accelerated the growth of women entrepreneurs in the country.

According to a recent survey of business women in Delhi and other surrounding areas, 40 percent of women entrepreneurs have entered into engineering, electronics, consultancy etc. In Kerala, the literacy rate among women is very high which is a good example or emergence of women entrepreneurship with the strong support and encouragement from their husbands; women entrepreneurs have ventured into traditional areas such as pickles, masala powder pepped etc.

The government of India provides training for women entrepreneurs through the following organisations.

1. National Institute of Entrepreneurship and Small Business Development (NIESBUD), New Delhi is an apex body. It provides training and conducts research in entrepreneurship.
2. The Integrated Rural Development programme (IRDP)
3. Self-Employment Scheme for Educated Unemployed Youth (SEEUY)

In India, during the Seventh Five Year Plan , a special chapter on "Integration of women in development" was included. The chapter suggested the following:

a. To treat women as specific target groups in all development programmes.
b. To devise and diversify vocational training facilities for women to suit their varied needs and skills.
c. To provide assistance for marketing of products of women entrepreneurs.
d. To involve women in decision making process.

During the Eighth Five Year Plan, efforts were made to increase employment and income generating activities for women under various sectors. Since 89.5 percent of the rural women are engaged in agriculture, special programme such as:

a. 'Women in Agriculture' was launched in 1993 to train women farmers having small and marginal holdings in agriculture and allied programmes such as animal husbandary, horiticulture, dairying, fisheries, bee-keeping etc.
b. Women cooperatives with full financial assistance from the government were formed to assist women in agro based industries.
c. The Khadi and Village Industries Comission (KVIC) took measures to generate more employment opportunities for women. Women comprise nearly 46.5 percent of the total workforce of KVIC.
d. Various schemes to help women in developing entrepreneurial skills were launched. Such as Prime Minister Rojger Yojana(PMRY) and Entrepreneurial Development Programees(EDPS).
e. The scheme named as Integrated Rural Development Programme (IRDP), Jawahar Rojgar Yojana, Training of Rural Youth for self Employment (TRYSEM), Development of Women and Children in Rural Areas(DWCRA) Were started to alleviate poverty. JRY has been restructured and a new scheme Jawaher Gram SamridhiYojna has been launched.

Recently, in Tamilnadu, the Government has initiated to set up a women's industrial park called 'Tirumullaivoyal Women's Industrial park' at Ambathur near Chennai. The park is proposed to setup in an area of 218 acres of land. The developed plots and indusrial sheds will be allotted women entrepreneur through SIDCO.

In Tamilnadu, entrepreneurship training was given to one lakh women in 2001-02 and it has been proposed to give training to 1.25. lakh women during the year 2002-03.

The growth of women's education increases their participation in the non-agricultural professions. Women are gradually coming forward to face challenges and assume responsibilities in various fields-economic-social-and political.

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6.5.6 Problems of Women Entrepreneurs

The basic problem of woman entrepreneur is being a woman. In many developing countries marriage is treated as the only career for women.

1. Shortage of Finance
   Women entrepreneurs suffer from inadequate financial resources and working capital. They are unable to get funds from the banks as they do not supply tangible securities demanded by the bankers. Banks do not sanction loan to women entrepreneurs believing that they will close their business and become homemakers again.
2. Inefficient Arrangements for Marketing and Sale
   Women entrepreneur are under clutches of middleness who make a large chunk of profit. Women entrepreneurs themselves alone cannot find market for their products and also they cannot make their products popular without the involvement of middle men.
3. Shortage of Raw Materials
   The raw materials are short in supply and its prices are quite high so that the women entrepreneurs are unable to produce.
4. Competition
   Women entrepreneurs do not have organizational set up and they are not able to spend much money for canvassing and advertisement. They have to face a stiff competition from both organized sector and make entrepreneurs for marketing their products.
5. Limited Mobility
   The mobility of women in India is highly limited due to humiliating attitude of men towards them.
6. Family Ties
   The main duty of Indian women is to look after the members of their family. This leaves little time and energy to devote to business.
7. Lack of Education
   In India more than 50% of the women are still illiterate. Lack of qualitative education leads to unawareness of business technology are market knowledge and causes low achievement motivation.
8. Male Dominated Society
   Though the constitution of India speaks of equality between sexes, in practice women are treated next to men. This male domination serves as an impediment to the entry of women into business.
9. Low Risk- Bearing Ability
   Risk-bearing is an essential requisite of successful entrepreneur Most of the Indian women are less educated and economically not independent. This reduces their ability to bear risk involved in running business.

6.5.7 Remedies to Solve the Problems of Women Entrepreneurs

Today there is a greater awareness among women. Educating women is absolutely essential in straightening their personality. To make the movement of women entrepreneurship a success, both the Government and Non-Government agencies have to play a vital role on the following lines.

a. Priorities in allotment of industrial estates to women entrepreneurs.
b. Adequate training programmes to women including mobile training centres.

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c. Government can provide the assistance in marketing by giving importance to their products in government's purchasing policy.
d. The Government may provide some reservations for admission of women in engineering, medical and agricultural educations.
e. A majority women entrepreneurs are from middle class family with low technical education, but desire to become entrepreneurs. Their potential should be identified and trained.

6.5.8 Rural Women Entrepreneurship

A rural women entrepreneur forms a group to organize and run an enterprise in rural areas. The rural women entrepreneurs are classified into the following categories.

1. Women who take to entrepreneurship because of their economic needs.
2. Women would like to have extra money for themselves and their families.
3. Women want to use their leisure time activity and
4. Women want to achieve something in their life.
5. To entrepreneurship on official advice and guidance.

Women entrepreneurs are faceing number of problems and constraints due to lack of experience and training, lade of information, illiteracy and feeling of insecurely.

6.6 Rural Entrepreneurship

In India, about 75 per cent of population live in villages and agriculture constitutes their primary occupation. Industries and exclusively located in urban areas. The division of economic activities between rural and ubran leads to uneven development. Rural areas are generally marked by poverty and backwardness. In such situation, rural industrialization is viewed as an effective means of accelerating the process of rural development Entrepreneurship precedes industrial units in the rural areas that rural industrialization.

Hence the need for rural entrepreneurship. Rural entrepreneurship means establishing industrial units in the rural areas that is rural industrialization.

6.6.1 Concept of Rural Entrepreneurs

According to the Khadi and village Industries Commission (KVIC) "village industry or rural industry means any industry located in rural areas population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a works does not exceed a thousand rupees"

Government of India has recently modified the definition of village industry. As per the modified definition, village industry located in rural area, village or town with population of 20,000 and below and an investment of Rs.3 crores in plans and machinery is classified as a village industry. Accordingly 41 new village industries have been included making the total of 101 industries as again 70 industries earlier.

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The village industries have been grouped into seven major categories as given below:

1. Mineral based industry
2. Forest based industry
3. Agro based industry
4. Polymer and chemical based industry
5. Engineering and non-conventional industry
6. Textile industry (including Khadi)
7. Service industries.

6.6.2 Need for Rural Entrepreneurship

Rural Entrepreneurship is felt necessary for various reasons as listed below:

1. Rural industries are labour intensive and have high potential in employment generation. Thus, they help to solve the widespread problems of disguised unemployment or under-employment existing in the rural areas.
2. All industries in rural areas are labour intensive industries. They help to solve unemployment and under employment problems being in the rural areas.
3. The village industries encourage dispersal of economic activities in the rural areas which in turn promotes balanced regional development.
4. The village industries also help to protect and promote the art and creativity.
5. Rural industrialization fosters economic development in rural areas. This reduces checks rural- urban migration on the one hand and reduces the disproportionate growth in the cities, growth of slums, social tensions and atmospheric pollution on the other.
6. Rural industries generates income in rural areas thereby reducing the disparities in income between rural and urban areas.
7. Government provides various subsided and concessions to rural entrepreneurship.
8. Rural industries can check the rural-urban migration thereby reducing the disproportionate growth in the cities.
9. Rural industries help to improve the standard of living common man.
10. Rural village industries protect and promote the age old rich heritage of the country.

6.6.3. Problems of Rural Entrepreneurship

Developing entrepreneurship in rural areas is not an easy task. It has several constraints.

In the ninth five year plan, four problems are identified as the major problems faced in the development of rural entrepreneurship. They are,

a. inadequate credit flow,
b. use of obsolete technology, machinery and equipment,
c. poor quality standards, and
d. Inadequate infrastructural facilities.

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Lack of awareness and knowledge about the importance of developing industries in rural areas is one among the major problems faced in developing rural entrepreneurship.

The rural people in general are not aware of the entrepreneurial opportunities available, the support organisations and other information required to step into the entrepreneurial carrier. Those who are aware of the facilities to enter into entrepreneurship find organizational climate to be not so helpful. Likewise, the environment in the family, society and the support system is generally not conducive to encourage the rural people to think about self-employment and entrepreneurial carier as an option to salaried employment.

The general problems faced in the development of rural entrepreneurship are listed below:

1. Shortage of finance to start a business
2. Lack of technical know – how.
3. Lack of training and extension services to rural people.
4. Management problems.
5. Lack of awareness about quality control.
6. High cost of production due to high input cost.
7. Lack of communication and market information.
8. Poor quality and inadequate and irregular supply of raw materials.
9. Lack of warehousing facilities.
10. Out dated traditional
11. Lack of promotional strategy.
12. Lack of organized market channels.

Besides the above problems the rural entrepreneurs have to face any other problems that are faced by the entrepreneurs in the urban areas.

6.6.4. Measures to Develop Rural Entrepreneurship

Some of the suggestions for the development of rural entrepreneurship in our country are given below.

1. Finance should be made available to need entrepreneurs on time. Bank procedure followed in sanctioning the loan to the rural entrepreneurs should be simplified.
2. Quality of raw materials should be developed with modern infrastructural facilities. The problem of middleman in marketing of goods. The problem of marketing the commodities for rural industries can be solved.
3. Proper infrastructure should be developed in rural area.
4. The planners and policy makers should be familiar with the problems and priorities of rural industries in villages.
5. It is the duty of the government to develop entrepreneurial thought and competencies among rural entrepreneurs through the proper training programme.
6. Entrepreneurial education should be introduced in the curriculum of schools, colleges and universities to inculate in the minds of young people.
7. The first generation entrepreneurs do not have business experience and they are ignorance of various facilities. Orient themselves in specific products and trades so that facilities and concessions extended the governments and local resource can be effectively used.

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8. The non-governmental organizations namely the National Alliance of young Entrepreneurs (NAYE), World Association of Women Entrepreneurs of Karnataka (AWAKE), Self-Employed Women's Association (SEWA) Of Ahmedabad etc., are instrumental in developing rural entrepreneurship in India.

6.7 Short Answer Questions

1. Define women entrepreneur.
2. Write a note on entrepreneurial culture.
3. State the qualities of women entrepreneur.
4. State the suggestions for the development of women entrepreneurs.
5. What do you understand by the term 'Entrepreneurial Society'?

6.8 Long Answer Questions

1. What are the factors affecting women entrepreneur?
2. Explain the need for rural entrepreneurship.
3. Discuss the measures taken by the government of India to promote rural entrepreneurship in India.
4. Explain the importance of entrepreneurship.

6.9 Answer to Check your Progress

1.

- ✓ Exploration of the prospects of starting a new business.
- ✓ Under taking of risks and managing economic uncertainties
- ✓ Ready to introduce innovation without any hesitation.
- ✓ Co-ordination administration and control.
- ✓ Regular internal supervision.

2. **Pull Factors**

Pull factors encourage women to become entrepreneurs. Women want to do something new in life. The other pull factors are the need for independence, availability of finance, concessions and subsidies.

Push Factors

Push factors are those which compel women to carry out a business . Push factors are unfortunate family circumstances like death of husband or father, financial difficulties, responsibility in the family etc.

3. The government of India provides training for women entrepreneurs through the following organisations.

1. National Institute of Entrepreneurship and Small Business Development (NIESBUD), New Delhi is an apex body. It provides training and conducts research in entrepreneurship.
2. The Integrated Rural Development programme (IRDP)
3. Self-Employment Scheme for Educated Unemployed Youth (SEEUY)

4. Shortage of Finance

Women entrepreneurs suffer from inadequate financial resources and working capital. They are unable to get funds from the banks as they do not supply tangible securities demanded by the bankers. Banks do not sanction loan to women entrepreneurs believing that they will close their business and become homemakers again.

Notes

Inefficient Arrangements for Marketing and Sale

Women entrepreneur are under clutches of middleness who make a large chunk of profit. Women entrepreneurs themselves alone cannot find market for their products and also they cannot make their products popular without the involvement of middle men.

Shortage of Raw Materials

The raw materials are short in supply and its prices are quite high so that the women entrepreneurs are unable to produce.

Competition

Women entrepreneurs do not have organizational set up and they are not able to spend much money for canvassing and advertisement. They have to face a stiff competition from both organized sector and make entrepreneurs for marketing their products.

5. All industries in rural areas are labour intensive industries. They help to solve unemployment and under employment problems being in the rural areas.

The village industries encourage dispersal of economic activities in the rural areas which in turn promotes balanced regional development.

The village industries also help to protect and promote the art and creativity.

Rural industrialization fosters economic development in rural areas. This reduces checks rural- urban migration on the one hand and reduces the disproportionate growth in the cities, growth of slums, social tensions and atmospheric pollution on the other.

Rural industries generates income in rural areas thereby reducing the disparities in income between rural and urban areas.

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UNIT - 7
EVOLUTION OF MANAGEMENT

Structure:

7.1 Introduction

Management is an important factor for the success of any organized activity. Today management basically concern with changes and challenges, and it is difficult to manage. Management is an art of getting things done through others. Management is to plan, organize, direct and control the resources of the organization for obtaining common objectives or goals. It is related with resources like material, money, machinery, methods, manufacturing and marketing. Management is necessary for all types of organization, such as public sector, private sector, govt. department, hotel, hospital, hostels, educational institutes, require management for several growth and expansion.

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7.2 Definitions

1. According to Taylor:- "Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way."
2. According to Lawrence:- "Management is the accomplishment of results through the efforts of other people."
3. According to Henry Fayol:- "To manage is to forecast and to plan, to organize, to co-ordinate and to control."

7.3 Nature of Management

1. **Universal Process:** Wherever there is human activity, there is management. Without efficient management, objectives of the company cannot be achieved.
2. **Factor of Production:** Qualified and efficient managers are essential to utilization of labor and capital.
3. **Goal Oriented:** The most important goal of all management activity is to accomplish the objectives of an enterprise. The goals should be realistic and attainable.
4. **Supreme in Thought and Action:** Managers set realizable objectives and then masterm
5. **Group Activity:** All human and physical resources should be efficiently coordinated to attain maximum levels of combined productivity. Without coordination, no work would accomplish and there would be chaos and retention.
6. **Dynamic Function:** Management should be equipped to face the changes in business environment brought about by economic, social, political, technological or human factors. They must be adequate training so that can enable them to perform well even in critical situations.
7. **Social Science:** All individuals that a manager deals with, have different levels of sensitivity, understanding and dynamism.
8. **Important Organ of Society:** Society influences managerial action and managerial actions influence society. Its managers responsibility should also contribute towards the society by organizing charity functions, sports competition, donation to NGO's etc.
9. **System of Authority:** Well-defined lines of command, delegation of suitable authority and responsibility at all levels of decision-making. Each individual should expecte from him and to whom he need to report to as action on all fronts to accomplish them. For this, they require full support form middle and lower levels of management.

Some other Nature of Management

1. Management is an activity
2. Management is a purposeful activity.

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3. Management is concerned with the efforts of a group.
4. Management applies economic principles.
5. Management involves decision making.
6. Management is getting things done through others.
7. Management is an integrating process.
8. Management co-ordinates all activities and resources.
9. Management is a universal activity.
10. Management is dynamic not rigid.

7.4 Scope of Management

Although it is difficult to precisely define the scope of management, yet the following areas are included in it:

1. **Subject-Matter of Management:** Planning, organizing, directing, coordinating and controlling are the activities included in the subject matter of management.
2. **Functional Areas of Management**: These include:
   - **Financial Management** includes accounting, budgetary control, quality control, financial planning and managing the overall finances of an organization.
   - **Personnel Management** includes recruitment, training, transfer, promotion, demotion, retirement, termination, labour-welfare and social security industrial relations.
   - **Purchasing management** includes inviting tenders for raw materials, placing orders, entering into contracts and materials control.
   - **Production Management** includes production planning, production control techniques, quality control and inspection and time and motion studies.
   - **Maintenance Management** involves proper care and maintenance of the buildings, plant and machinery.
   - **Transport Management** includes packing, warehousing and transportation by rail, road and air.
   - **Distribution Management** includes marketing, market research, price-determination, taking market risk and advertising, publicity and sales promotion.
   - **Office Management** includes activities to properly manage the layout, staffing and equipment of the office.
   - **Development Management** involves experimentation and research of production techniques, markets, etc.
3. **Management is an Inter-Disciplinary Approach:** For the correct implementation of the management, it is important to have knowledge of commerce, economics, sociology, psychology and mathematics.

4. **Universal Application:** The principles of management can be applied to all types of organizations irrespective of the nature of tasks that they perform.
5. **Essentials of Management:** Three essentials of management are:
   - Scientific method
   - Human relations
   - Quantitative technique
6. **Modern Management is an Agent of Change:** The management techniques can be modified by proper research and development to improve the performance of an organization.

Notes

7.5 Check your Progress

Check your Progress

1. Recall any five points for nature of Management?

2. Demonstrate the scope of ma nagement?

3. Illustrate any four characteristics of management?

4. Give an outline about the two movements in the Neoclassical theory?

5. State any five problems faced by modern managers?

7.6 Characteristics of Management

1. **Management is Universal:** The principles and techniques of management have universal application. They are not rigid. They can be modified & applied in different situations.
2. **Management is Goal Oriented:** The basic goal of management is to ensure efficiency & economy in the utilization of human, physical and financial resources. Managerial success is measured by the extent to which the objectives are achieved. Thus management is purposeful.
3. **Management is an Intangible Force:** Management is an unseen force which cannot be seen but its presence can be felt in the form of results, targets achieved according to plans, satisfied employees & orderliness in the organization.
4. **Management is Pervasive:** Management is an essential element of every organised activity irrespective of the size or type of

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organization i.e. Government, business, sports, university or hospital. It is also prevalent in all the levels of the organisation, and in all the departments.

5. **Management is a Continuous Process:** Management functions are continuous and never ending. These functions are simultaneously performed by all managers all the time i.e. planning, organizing, staffing, directing & controlling.
6. **Management is a Dynamic Function:** Management is a dynamic function as it has to adopt the changes according to the need of the environment and growth of the business.
7. **Management is Multi-Dimensional:** It is multidimensional as it involves management of work, people & operations.

7.7 Importance of Management

1. **Management is Goal Oriented:-** Management is concern with achievement of specific goals. It is always directed towards achievement of objectives. The success of management is measured by the extent to which objectives are achieved.
2. **Management is Associated with Group Efforts:-** The business comes into existence with certain objectives which are to be achieved by a group and not by one person alone. Management gets things done by, with and through the efforts of group members. It co-ordinates the activities and actions of its members towards a common goal.
3. **Management is Intangible:-** It is an unseen force, its presence can be evidence by the result of its efforts up to date order but they generally remain unnoticed, Where as mismanagement is quickly noticed.
4. **Management is an Activity and not a Person or Group of Person:-**Management is not people or not a certain class but it is the activity, it is the process of planning, organizing, directing and controlling to achieve the objectives of the organization.
5. **Management is Situational:-** Management does not advice best way of doing things. Effective management is always situational. A manager has to apply principles, approaches and techniques of management after taking into consideration the existing situations.
6. **Management is Universal:-** Most of the principles and techniques of management are universal in nature. They can be applied to government organization, military, educational institutes, religious

institutes etc. They provide working guidelines which can be adopted according to situations.

7. **Management is Concern with People:-** Since management involves some activities through others only. Human being performed the activity with the help of planning and control. The element man can not be separated from the management.
8. **Management is the Combination of Art, Science and Profession:-** Management makes use of science as well as art. It is science because it collects knowledge with the methods and data, analyzes and measures it and decision is taken with the help of experiment. It is a systematic body of knowledge. Art means application of knowledge for solving various problems. In modern times there is separation of ownership and management, so professional experts are appointed

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7.8 Functions of Management

The major functions of management are discussed below

Planning: It includes forecasting, formation of objectives, policies, programmes, producer and budget. It is a function of determining the methods or path of obtaining their objectives. It determines in advance what should be done, why should be done, when, where, how should be done. This is done not only for organization as a whole but also for every division, section and department. Planning is thinking before doing.

Organizing: It includes departmentation, delegation of authority, fixing of responsibility and establishment of relationship. It is a function of providing every thing useful to the business organization. There are certain resources which are mobilize i.e. man, machine, material, money, but still there are certain limitations on these resources. A manager has to design and develop a structure of various relations. This structure, results from identification and grouping work, delegation of authority and responsibility and establishing relationship.

Staffing: It includes man power planning, recruitment, selection, placement and training. People are basically responsible for the progress of the organization. Right man should be employed for right job. It also involved training of personnel and proper remuneration.

Directing: It includes decision making, supervising, guidance etc. It reflects providing dynamic leadership. When the manager performs these functions, he issues orders and instructions to supervisors. It also implies the creation of a favorable work, environment motivation, managing managers, managing workers and managing work environment.

Communication: Communication provides the vital link in any organization. Every successful manager has to develop an effective system of communication. Communication means exchange of facts, ideas and information between two or more person. It helps in building up high moral.

Controlling: It is a process of checking actual performance against standard performance. If there is any difference or deviation then these

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differences should be detected and necessary steps should be taken. It involves three elements:

- Establishing standard of performance.
- Measuring actual performance with establishment.
- Finding out reasons for deviation.

Management includes planning, organizing, staffing and decision making, motivation, communication, co-ordination and so on.

7.8.1 The other Functions of Management the following are the other functions of management

Motivation: In a well organization, unforeseen problems are created. It becomes necessary for the workers to have a leader, to whom they can consult for the guidance. One must help the worker to solve their problems. The manager is the leader for them. So he should accept the problems, should appreciate the workers for the work done by them. He has to act as a well motivation source for he workers.

Decision Making: It is the process in which a lot of actions are involved and lot of alternatives are available. A manager has to choose right alternative for attainment of his goals. There are many decisions which include marketing decision, cost price decision and capital investment decision.

Forecasting: Correct sales forecasting is essential for manufacturing organization. This helps in production, by making available right workers and right material at right place and at right time. It also helps manager for purchasing of raw materials, equipments and labours. Many times production is made in advance to meet future demands and forecasting is essential because of short supply of raw material, lack of proper control, to fix up sales targets and to meet future financial needs. It also helps to give ideas about expansion of business; and for giving training to the personnel of the organization.

7.9 Evaluation of Management Thought

1910s-1940s: Management as Science

In 20^{th} Century Management was considered as science and focused on increasing productivity and efficiency through standardisation, division of labour, centralisation and hierarchy. A very ‘top down’ management with strict control over people and processes dominated across industries.

1950s-1960s: Functional Organisations

During 1950’s, and 1960’s, it was realised the emergence of developing functional organisations and the Human Resource (HR) movement.

Managers began to understand the human factor in production and productivity and tools such as goal setting, performance reviews and job descriptions were born.

1970s: Strategic Planning

In the 1970’s The focus was changed from measuring function to resource allocation and tools like Strategic Planning (GE), Growth Share Matrix (BCG) and SWOT. These were used to formalise strategic planning processes. After several decades of ‘best practice’ and ‘one size fits all’ solutions, academics began to developing contingency theories.

1980s: Competitive Advantage

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The growing business was increasing more, competitive and connected, and with a blooming management consultancy industry. Competitive Advantage became a priority for organisations in the 1980's. Tools like Total Quality Management (TQM), Six Sigma and Lean were used to measure processes and improve productivity. Employees were more involved to collect data, but decisions were still made at the top, and goals were used to manage people and maintain control.

1990s: Process Optimisation

Benchmarking and business process reengineering became popular in the 1990's, and by the middle of the decade, 60% of Fortune companies claimed to have plans for or have already initiated such projects. TQM, Six Sigma and Lean remained popular and a more holistic, organisation-wide approach and strategy implementation took the stage with tools such as Strategy Maps and Balance Scorecards.

2000s: Big Data

During 2000's the consulting industry was developed under the banner of Big Data, organisations and then focused on using technology for growth and value creation. Meanwhile, oversaturation of existing market space drove to concepts such as Blue Ocean Strategy and Value Innovation.

In the year 2013. Globalisation, development of technology and increased diversity have put organisational challenges into hyper drive. Most of the organizations were using out-dated management practices and failing to get the most out of the our people. It was found that 65% of people were unhappy at work, only 14% understood their company's strategy, and 75% were seeking jobs.

Solving problems and innovation, are the most important aspects of Management to get right.

1. Management Approach:

   The style of top management, ranging from:

   a. Control (i.e. your boss tells you what to do and how to do it).

   b. Set Goals (i.e. your boss sets goals and expectations, but you have more freedom with regards to how you achieve them).

   c. Inspire (i.e. your boss gives you scope and freedom to innovate on both the what and the how).

2. Approach to Innovation / Problem Solving:

   How leaders solve strategic problems and develop new products and services. This ranged from:

   a. Top Down (i.e. solutions are created and come from the top)

   b. Top Down with Bottom Up Data (i.e. the rest of the organisation contributes information and experiences, but solutions are still created at the top).

   c. Participatory (i.e. solutions are created collaboratively, and throughout the organisational levels).

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After a century of trying to control people, processes and information it was recognised that what worked before just simply isn't enough anymore. Traditional Management is fine for compliance, but for innovation and growth, it is essential to engage the people on a whole new level. Top down control is a thing of the past. Succeeding in today's environment requires a management style that inspires and is participatory.

The future organisations should involve themselves increasing value creation, innovation and employee engagement in today's business environment.

Criticism

Worker's Criticism

a. **Speeding up of Workers:** Scientific Management is only a device to speed up the workers without much regard for their health and well-being.
b. **Loss of Individual Worker's Initiative:** Scientific Management reduces workers to automatic machine by taking away from them the function of thinking.
c. **Problem of Monotony:** By separating the function of planning and thinking from that of doing, Scientific Management reduces work to mere routine.
d. **Reduction of Employment:** Scientific Management creates unemployment and hits the workers hard.
e. **Weakening of Trade Unions:** Under Scientific Management, the important issues of wages and working conditions are decided by the management through scientific investigation and the trade unions may have little say in the matter.
f. **Exploitation of Workers:** Scientific Management improves productivity through the agency of workers and yet they are given a very small share of the benefit of such improvement.
g. **Loss due to Re-Organization:** The introduction of Scientific Management requires a virtual reorganization of the whole set-up of the industrial unit. Work may have to be suspended to complete such re-organization.
h. **Unsuitable for Small Scale Firms:** Various measures like the establishment of a separate personnel department and the conducting of time and motion studies are too expensive for a small or modest size industrial unit.

7.10 Classical Management Theory

In the early 1920s, classical management theorists, such as Frederick Taylor, Henry Gantt, and Frank and Lillian Gilbreth, spent their time in researching how a specific job was done, what steps were taken by an employee to complete the work, and the amount of time taken by a worker to complete a task using different methods. They used this information to determine the most effective way of completing a task. While these individuals focused on the science of creating specialized work processes and workforce skills to complete production tasks efficiently, critics began to scrutinize classical management theory for its potentially harmful effects on workers.

The underlying assumption of classical management theorists was that managers and workers would meet halfway on their attitudes towards standardization. However, many believed that more emphasis on standardization of jobs and workers had not created this 'mental revolution'. Taylor and his associates had believed for, but rather had inadvertently created an attitude among managers at the time that employees were nothing more than an appendage to a machine. While machines and processes could be standardized; but it was unrealistic to expect that standardization among emotional beings; The Taylor and other classical management theorists continued their work on standardization, others started to conduct research on the worker, and thus, the **neoclassical theory of management** was born.

7.10 Neoclassical Theory of Management

The neoclassical theory explained the incorporating the behavioural sciences into management thought to solve the problems caused by classical theory practices. The premise of this inclusion was based on the idea that the role of management is to utilize employees to get benefits done in organizations. Rather than focused on production, structures, or technology, the neoclassical theory was concerned with the employee. Neoclassical theorists concentrated on answering questions related to motivate, structure, and support employees within the organization.

The popular **Hawthorne studies**, revealed that social factors, such as employee relationships, were an important factor for managers to consider. It was believed that any manager who failed to account for the social needs of his or her employees could expect to deal with resistance and lower performance. Employees needed to find some intrinsic value in their jobs, which they certainly were not getting from the job that was highly standardized. Rather than placing employees into job roles, where they completed one specific task in a day with no interaction with coworkers, employees could be structured to frequently share their tasks, information, and knowledge with one another. Once employees were placed into this alternate structure, their needs for socialization would be fulfilled, and thus they would be more productive.

7.10.1 Two Movements in the Neoclassical Theory

The neoclassical theory encompasses approaches and theories focused on the human side of an organization. There are two main sources of neoclassical theory: the **human relations movement** and the **behavioural movement**. The human relations movement arose from the work of several sociologists and social physiologists who concerned themselves with how people relate and interact within a group. The behavioral movement was explained by various psychologists who focused on the individual behavior of employees.

7.11 Major Schools of Management Thought

The various approaches to the study of management was propounded by specialists from different disciplines have come to be called the **Schools of Management Thought**.

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The Major Schools of Management Theory are

1. Management Process School
2. Empirical School
3. Human Behaviors or Human Relations School
4. Social School
5. Decisions Theory School
6. Mathematical or Quantitative Management School
7. Systems Management School
8. Contingency School

7.11.1 Management Process School or the Operational Approach

This school regards management as a process of getting things done with people operating in organized groups. Henry Fayol is known as the father of this school. According to this, approach, school management can be studied in terms of the process that it involves. Management principles are of universal application. This approach is also designated as the traditional approach, the universal approach or the classical approach. The contributors and thinkers who belong to this school are William Newman, Summers, McFarland, Henry, J.D. Mooney, A.C. Railey, lyndell Urwick and Harold Koontz.

7.11.2 The Empirical School or the Management by Customs School

This approach to management is taken by scholars who identified the management as the study of experience, efforts taken to learn from the experience and then transfer the knowledge to practitioners and students. Typically, this is done through the study of decision-making. This school of thought believes by analyzing the experience of successful managers or the mistakes of poor managers and applying the most effective management techniques. The main contributors of this approach are Earnest Dale, Mooney and Raliey, Urwick and many other management practitioners and associations like the American Management Association.

The main features of the approach are

1. Management is the study of managerial experiences.
2. Managerial experiences can be passed over to the practitioners and students.
3. The successful techniques can be used by future managers for further references.
4. Theoretical research can be combined with practical experiences for better management.

7.11.3 The Human Relations Approach (or) the Human Behaviour School

This school explains the psychological factors causing a change in the human behavior in organized groups under a given situation. It is based upon the fact that management involves getting things done through people and the management must be centered on interpersonal relations. This approach has been called the human relations, leadership or behavioral science approach. Exponents of this school of thought seek to apply existing and newly developed theories, methods and techniques of the relevant social science to the study of intra and interpersonal relations, which varies from personality dynamics to relations of cultures. This school stresses on the people part of management and the understanding aspects. The motivation of the individual and adherents of this school is heavily oriented towards psychology and sociology. The range of thought of this school are (a) The study of human relations and how managers can understand and use these relations; (b) The role of manager as a leader and how he should lead others; (c) The study of group dynamics and inter-personal relationships.

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7.11.4 The Social Systems School

This school of thought is closely related to the human behavior. It looks upon management as a social system, which refers to a system of cultural inter relationships. These can be formal organizational relationships or any kind of human relationships. This approach to management being heavily sociological in nature. It identifies the nature of the cultural relationships of various social groups and attempts to show as an integrated system. The spiritual father of this school was the late Chester Barnard who developed the theory of co-operation. The focus of this school of thought is on the study of the organization as a co-operative or collaborative system. A social system is a unit or entity consisting of various social subsystems called groups.

7.11.5 Decision Theory School

The decision theory approach concentrates on the rational decisions theory, which refers to the selection of a suitable course of action from various possible alternatives. This approach may deal with the decisions itself, with the person or organizational group who makes the decision or with an analysis of the decision process. By expanding the viewpoint well beyond the process of evaluating alternatives, many people use the theory to examine the nature of organizational structure, the psychological and social reactions of individuals and groups and analysis of value considerations with respect to goals, communication networks and incentives. The scientific approach to decision making involves some of the following factors:

1. Defining the problem
2. Collecting all relevant information
3. Developing alternatives
4. Examining all the alternatives and the solutions
5. Testing the solutions, (if you can make this possible)
6. Selecting a course of action
7. Implementing the action.
8. Evaluating the results of the action

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7.11.6 The Mathematical School

The theorists of this school explains the management as a system of mathematical models and processes. According to the approach of the Mathematical school, decision-making is a logical process that can be expressed in terms of mathematical symbols and relationships. This approach forces the analyst to define a problem and allows for the insertion of symbols through logical methodology which provides a powerful tool for solving complex phenomena.

The modern Managers may Normally Face Some of the Following Problems

1. Increase in the size and complexity of organizational structures
2. Increase in paperwork, which stifles the ability to produce
3. Communication problems
4. The need for instantaneous management response in the decision-making areas, which requires up-to date, accurate and comprehensive information
5. Increase in demands on management with fewer budgets
6. Increase in the number of people to be dealt with by government and business structures.

7.11.7 The Systems Approach School

This school is the developed in the later 1960s. It is an integrated approach, which considers management in its totality based on empirical data. According to this approach, attention must be paid to the overall effectiveness of a subsystem in isolation from the other subsystems. The main emphasis is on the interdependence and inter-relatedness of the various subsystems, from the point of view of the effectiveness of a large system.

Its essential features are as follows:

1. A system has a number of subsystems, parts and subparts.
2. All the subsystems, parts and subparts are mutually related to each other. A change in one part will affect the changes in other parts.
3. The systems approach emphasizes on the study of the various parts in their interrelationships rather than in isolation from each other.
4. The systems approach to management brings out the complexity of a real life management problem much more sharply than any of the other approaches.
5. It can be utilized by any other school of management thought.

The Boundary of a System may be Classified into Two Parts

1. **Closed System** that has no environment. This part implies that no outside systems are to be considered.
2. **Open System** has an environment. This part implies to possess systems with which it relates, exchanges and communicates.

7.11.8 The Contingency Approach School of Management

The contingency approach to management emphasizes on the fact that management is a highly practice-oriented and action-packed discipline. Managerial decisions and actions initiatives are known to be matters of pragmatism and not of principles. The environment of organizations and managers is very complex, uncertain, ever changing and diverse. It is the basic function of managers to analyze and understand the environments in which they function before adopting their techniques, processes and practices. The choice of approaches and also their effectiveness is contingent on the behaviour and dynamics of situational variables. But, there is no one universally valid best way of doing things. Management theory and principles tend to be deterministic, while the pace, pattern and behaviour of events defy the deterministic or dogmatic approaches. The valid and good in a particular situation need not be the same in some other situation.

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7.12 Short Answer Questions

1. Define management.
2. Mention the nature of management.
3. What are the functions of management? Any five.
4. List out any five characteristics of management.
5. State the worker's criticism on management.
6. Give a short note on contingency approach school of management.

7.13 Long Answer Questions

1. Explain the nature of management.
2. Elucidate the scope of management.
3. Discuss the importance of management.
4. Describe the evaluation of management thought.
5. Briefly explain any three major schools of management theory.
6. Discuss the Neo-Classical theory of management.

7.14 Answer to Check your Progress

1. 1. **Universal Process:** Wherever there is human activity, there is management. Without efficient management, objectives of the company can not be achieved.
   2. **Factor of Production:** Qualified and efficient managers are essential to utilization of labor and capital.
   3. **Goal Oriented:** The most important goal of all management activity is to accomplish the objectives of an enterprise. The goals should be realistic and attainable.

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4. **Supreme in Thought and Action:** Managers set realizable objectives and then masterm
5. **Group Activity:** All human and physical resources should be efficiently coordinated to attain maximum levels of combined productivity. Without coordination, no work would accomplish and there would be chaos and retention.

2. Management covers many areas. Generally the scope of management categories into two heads.

I. **Subject matter of management**
II. Functions Areas of management

Subject-Matter of Management: Planning, organizing, directing, coordinating and controlling are the activities included in the subject matter of management.

Functional Areas of Management: These include:

- **Financial Management** includes accounting, budgetary control, quality control, financial planning and managing the overall finances of an organization.
- **Personnel Management** includes recruitment, training, transfer, promotion, demotion, retirement, termination, labour-welfare and social security industrial relations.
- **Purchasing management** includes inviting tenders for raw materials, placing orders, entering into contracts and materials control.
- **Production Management** includes production planning, production control techniques, quality control and inspection and time and motion studies.
- **Maintenance Management** involves proper care and maintenance of the buildings, plant and machinery.

3. **Management is Universal:** The principles and techniques of management have universal application. They are not rigid. They can be modified & applied in different situations.

Management is Goal Oriented: The basic goal of management is to ensure efficiency & economy in the utilization of human, physical and financial resources. Managerial success is measured by the extent to which the objectives are achieved. Thus management is purposeful.

4. The neoclassical theory encompasses approaches and theories focused on the human side of an organization. There are two main sources of neoclassical theory: the **human relations movement** and the **behavioural movement**. The human relations movement arose from the work of several sociologists and social physiologists who concerned themselves with how people relate and interact within a group. The behavioral movement was explained by various psychologists who focused on the individual behavior of employees.

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5. Increase in the size and complexity of organizational structures

I. Increase in paperwork, which stifles the ability to produce
II. Communication problems
III. The need for instantaneous management response in the decision-making areas, which requires up-to date, accurate and comprehensive information
IV. Increase in demands on management with fewer budgets

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UNIT - 8
MARKET ASSESSMENT

Structure:

8.1 Introduction

An entrepreneur wishes to launch a new product on the market. He must know the demand for this product and its sales. Well, to the market assessment helps to understand the demand and sales forecasting. Let us understand the process and importance of market assessment.

8.2 Market Assessment

Market assessment or market analysis is a critical study of the potential of a new product or service or idea has in the market where it is to be launched. It educated the entrepreneur about the needs of the markets and the barriers and pitfalls he may face. Hence the entrepreneur can modify his strategies and develop a map or a plan moving forward. Whenever an entrepreneur plans in entering a new market, launching a fresh product and making a new investment, he must conduct a market assessment. A new product or campaign will be launched without adequate research and fail miserably.

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The following are the process of market research.

1. **Defining the Problem**

This is the first step, where the objectives are defined clearly for research project. This step is very crucial, so enough time, money and energy must be spent on it. Very often entrepreneurs waste a lot of resources performing research on the wrong subject.

2. **Analyze the Situation**

This is an informal survey of the information available related to our queries. It involves communication with informed people, ones with experience and expertise in the industry. If the persons conducting the survey are unfamiliar with the environment and the industry, they must take the time to familiarize themselves. A clear understanding of the problem area is essential.

3. **Collecting Relevant Data**

In this step primary data is collected for assessment. The purpose is to get genuine customer reaction and feedback for a new product or idea.

There are many ways to gather this data. An online survey, or the research can be done in person. The questions must be framed to obtain both qualitative as well as quantitative answers.

4. **Data Interpretation**

Raw data is not useful to the process of market assessment. The data must now be analyzed and interpreted. The complexity of the questions in the previous step will define the scope of this step. Experts and qualified professionals are needed to carry out this step. Because any mistakes made in this step will ruin your entire project. The aim is to use the data and analyze it such a way that it can help to develop a plan to solve the defined problem.

5. **Problem Solving**

The findings from the previous steps will now be used to make the necessary marketing decisions. The interpreted data should form the basis of the decisions to achieve the objective. If the data does not help with making decisions then the assessment was a failure.

6. **Marketing Plan**

The findings from all the previous steps must be applied to form a marketing plan that helps to achieve the objectives of the project. The plan has to tailor made to his product or service. By the end of the process. Some unrecognized problems could be found. So the final marketing plan will give the entrepreneur to achieve his new product launch successfully market.

8.3 Check your Progress

Check your Progress I

1.Mention the Process of Market research?

2.what are the factor affecting business environment?

8.4 Importance of Market Assessments

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Today's brands are under relentless pressure to stay relevant in an increasingly crowded and competitive market place. Brands are needed to understand how they connect new products or services with the life of the consumer. By understanding the market and maintaining a consistent awareness of challenges or barriers to entry or growth, businesses have the data.

Typical outputs from a market and opportunity assessment include

- Market sizing and growth projections
- Industry and segment attractiveness assessments
- Competitive Landscape
- SWOT Strength Weakness Opportunities and assessment
- Market requirements and barriers to entry
- Go-to-market strategy

Market and Opportunity Assessments

Market and opportunity assessments are used to identify opportunities and risks. Then businesses can understand the market prior to building or expanding an offering.

Market and opportunity assessment research explores the following

- Market size and growth
- Segmentation and targeting
- Trends and market drivers
- Key competitors
- Pain points and unmet needs within the market
- Market readiness
- Purchase cycles and purchase history

8.5 Need Market Assessment

1. Research is done to know about Customers and Competition

Market research is used to analyze customers and competitors on multiple levels. Presench will help to evaluate whether the demand for a product/service is real, and whether expanding into a potential new market is worthwhile for a company. The information of customer such as age, gender, education, income, occupation, and place of residence, or softer variables such as lifestyle and values, are identified to achieve goals competitors are assessing their strengths and weaknesses can also illuminate specific growth strategies and ways to differentiate your products and services.

2. To attain a High-Level of the Market

Assessing customers and competitors is not enough. It is essential to understanding the market as a whole and also the potential of success in the market. Otherwise, Organization could be trapped into thinking that a few percentages points increase is enough, where there is actually much more potential. Market researchers are experts at providing the overall objective picture and can help step away from intra-company thinking.

When analyzing a market, the following high-level questions play an important role.

1. What is the market size?
2. How quickly is the market expanding or contracting?
3. How many buyers are there?
4. What are the barriers to entry?
5. What is the bargaining power of suppliers?
6. What is the industry value chain?
7. What is the intensity of the competition?
8. Is there a threat of new entrants or substitute products or services?

3. Explore Adjacent Opportunities

Pursuing adjacent opportunities can also be a winning strategy. In a five-year study, researchers analyzed the growth and performance of 1,850 corporations. They found that the companies with the most sustained profitable growth use a systematic, disciplined approach to expand the boundaries of their core business into an adjacent space. Some companies will expand from one geographic market to another, while others will apply an existing business model to adjacent segments. Take Procter & Gamble's Crest toothpaste brand as an example. In the late 1990s, Crest was floundering, but Procter & Gamble revitalized the brand by moving into two other categories — teeth whitening and brushing — with the introduction of Crest White strips and Spin Brush. The company used the same channels to reach the same customers with the same marketing framework and added more than $200 million of new sales for each new brand in one year. To understand the pulse of a market will help to maintain a proactive approach and profitably outgrow your rivals by finding ways to expand outside.

4. Understand the Business Environment Factors

The overall business environment can have a profound impact on company performance and the ways industries operate.

The business environment includes factors such as:

1. Technological developments
2. Government regulations
3. Geopolitical shifts
4. Economic indicators
5. Trade policies
6. Social and cultural norms

As an example, companies in the life science and healthcare sectors currently face a number of potential disruptors that contribute to ongoing uncertainty.

5. Find the Market Research you Need Fast

Gathering and synthesizing information about all these categories can take significant time, effort, and expertise, but market research reports are helpful leg up. "Off-the-shelf" reports, such as those available on MarketResearch.com, can supply more information needed for a comprehensive understanding of the customer, competition, industry, and business environment. In these reports an entrepreneur will find information on market size, market share, market forecasts, information on regulations, consumer demographics, and much more. In addition, many reports explicitly share analysis on key opportunities for future growth, next-generation product innovation, and emerging marketing strategies. If an organization is researching a niche market that is not covered in a published report, it can also commission a custom market research project to fit its unique specifications. Our expert team of in-house analysts regularly assists companies with make-or-break decisions and initiatives such as new product development, geographic market expansion, mergers and acquisitions, competitive intelligence, voice of the customer, and strategic planning

8.6 Tools and Techniques of Market Assessment

Market research can be considered as a method of getting an idea of the needs of the customers, and some of the factors can be investigated through the process are given as follows:

1. **Trends in the Market** – Market trends are the movements of a market in a given period of time.
2. **Segmentation of the Market** – This is the division of a market into subgroups with similar features. This is needed to create a distinction between demographics, choices, genders, and personalities, etc.
3. **Information Available** – Market information is the information about prices of different products available in the market.
4. **SWOT Analysis** – This analysis is an analysis of the Strengths, weaknesses, opportunities and threats to a business or company.
5. **Effectiveness of Marketing** – Marketing effectiveness takes into account risk analysis, product research, customer analysis, and competitor analysis, etc.

8.6.1 Benefits of Tools and Techniques

1. **Tapping Opportunities** – The benefits of doing market research is that it enables to find out the various market opportunities and makes it possible to tap into them effectively. For example, it may help to find whether the product is suitable for the audience. If it is not then market research helps to identify the suitable audience.
2. **Encouraging Communication** – Market research helps to find out the best way to communicate with customers. After obtaining research results, one tends to know the audience nature, personalities, likes, dislikes, etc. and this makes it easier to connect with them and reach out to them.
3. **Minimization of the Risks** – Another major benefit of market research is to help businesses to minimize risks by taking actions on certain subjects. For example, it may help to add certain qualities to products that may reach out to number of people, thus decreasing chances of the product going not used.
4. **Establish Trends and Market Standing** – The market changes continuously and constantly. Only thorough market research can help to establish the ongoing trends and then formulate plans according to the current customer needs and requirements.
5. **Find out Possible Problems** – Since market research brings out the customer reactions, choices, and preferences, a business can alter the product while it is still in the manufacturing or designing process. It

is easier to find problems and then work on them if one has research results in hand.

8.6.2 Types of Market Assessment Tools and Techniques

1. Primary Market Research

Primary market research is a kind of market research that is done by the business or company itself with the objective of gathering information which can be used to improve the products, services, and functions. Primary market research is also known as field research. One can gather primary data or information through qualitative research methods as well as quantitative research methods. Primary market research is the most common type of a market research method and is also the most valuable type. It is a method that only answers specific questions and not irrelevant issues.

2. Secondary Market Research

Secondary market research is a research technique that does not aim to gather information from scratch but relies on already available information from multiple sources. This research focuses on data or information that was collected by other people and is available for either free or paid for others. Secondary market research takes into account many different sources for collection of information including government data, office data, newspapers, magazines, the internet, etc. One of the benefits of doing secondary market research is mostly free and takes a less time.

3. Qualitative Research

Qualitative market research is a kind of a research method which mainly takes the opinions and feelings of a customer as far as a business's products and services are concerned. Some common examples of qualitative research work include doing face to face interviews, being part of focus groups, etc.

4. Quantitative Research

Quantitative market research is a kind of market research work that is based on hard facts and statistical data rather than the feelings and opinions of the customers or consumers. This type of research can prove useful both in terms of primary market research and secondary market research. Some of the common examples of quantitative research include exit surveys, questionnaires, on-site fieldwork and the shopping bag survey. This type of research comes out with a wide range of statistics and helps to find out the size of the market as well.

Check your Progress I

3.given an short note on customer satisfaction?

4. Label the presentation of market survey Report?

8.7 Methods of Market-Survey

Market surveys are a way in which companies obtain information about their customers and non-customer consumers or businesses, and how these customers or consumers view a company's products and

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services versus competitive products. Market surveys can be either qualitative or quantitative. Qualitative surveys are used for obtaining information on a small scale while quantitative surveys are more predictable across the general population. There are a number of market-survey techniques that companies can use to acquire valuable information on their customers.

8.7.1 Focus Groups

Focus groups are a qualitative market-survey technique. A company may interview customers from various demographic groups based on age, income or sex. The objective is to get a general idea about how the people shop for certain products, and which products they like best. The company may introduce several new concepts, such as food, and survey people's likes and dislikes about the product.

8.7.2 One-on-One Surveys

One-on-one market survey, is the another qualitative market-survey technique. It is typically used for introducing new products. For example, a company may observe a customer operating a new type of software. The interviewer would ask the customer and others how they like the new software and whether or not they would purchase it. One-on-one surveys are often used for beta tests to iron out problems before the product goes national.

8.7.3 Customer-Satisfaction

Many surveys are conducted over the phone, such as customer-satisfaction surveys. Customer-satisfaction surveys measure satisfaction levels of customers with regard to the company's products, service, prices and other key attributes. These surveys are more quantitative in nature. They can determine where they have significant advantages or problems. Changes can then be made to correct these issues.

8.7.4 Online Surveys

Online surveys often appear on company websites in the form of a pop-up. These market-survey techniques can be activated at any time to start collecting demographic information or virtually any information for which a company is searching. The survey can be terminated once enough questionnaires are completed. Online surveys can be unpredictable at times because there is no control over the type of person who responds.

8.7.5 Telephone Interviews

This is an inexpensive, fast way to get information from potential customers. Prepare a script before making the calls to cover all objectives. Most people do not like to spend a lot of time on the phone, so keep the questions simple, clearly worded and brief.

8.7.6 Direct-Mail Interviews

A company may use a mail-in survey to determine why some customers have stopped purchasing their products. Software companies sometimes use this quantitative market-survey technique. A small incentive such as $1 or $2 may be provided to respondents to fill out the information. Mail-in surveys are often very informative because a person can write in additional comments.

Direct-mail surveys should be simple, structured with "yes/no" or "agree/disagree" check-off boxes so respondents can answer quickly and easily. If possible, only ask for one or two write-in answers at most.

8.7.7 Fax/e-mail Interviews

Fax / e-mail interviews are like a direct-mail interviews'. One exception: Never send an unsolicited fax that is more than one page. Give clear instructions on how to respond, and be appreciative in advance for the data to get back.

8.8 Sources of Market Information

1. The **Library** is a primary resource for information. Government agencies have a variety of publications which may be useful. Some colleges and universities have reference libraries which are available to the public also.
   Also, research institutes and some large corporations have libraries with sections on specific topics. Libraries are the storehouse of information which may be useful in operating a small business.
   Books, periodicals, reports, and newspapers may contain information which can be of help in solving some of the problems in operating a business.
2. The **Internet** can be used to carry out research to find market related information and data. The search engines are Google, Bing, Ask etc Also E-mail can be used to communicate with providers of information who have websites on the internet.
3. **Subscribing to Trade Papers and Magazines.** The successful entrepreneurs should have time to read articles especially in understanding new trends and developments relating to business.
4. **Industrial Data** is helpful in comparing a business to other similar businesses. The data is available from trade associations or government agencies and includes ratios such as; stock turnover, cash discounts percentage mark-up, etc.
5. **Membership-Based Organisations** can provide services such as conducting research, organizing education and training programs, implementing new technology, responding to members' questions and concerns and disseminating information through newsletters, magazines, and special reports.
6. **Training Programmes** help entrepreneurs to formulate the plans for improving their managerial skills and ability. Training courses and adult education programs are designed by many institutions, agencies, and associations.
   Entrepreneurs should be aware of these personal development possibilities and take full advantage of them.
7. **Employees.** The people who work for a business can help to solve specific problems in a business. For example, entrepreneurs might ask employees for their advice and assistance about stock display or customer attitudes. Employees are in a good position to give valuable

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advice providing they know that their opinions and suggestions are valued.

Also, customers can supply very special information about the products and services they buy. Customers are an excellent source of information about the relative strength and weaknesses of a business operation.

8. **Other Business Owners**. Most businesses have common problems and owners are generally willing to discuss their problems with one another. All business owners can attain benefit from this interaction and improve their business operations.

8.9 Presentation of Market Survey Report

- **Marketing Information:** Selling was only regarded as marketing. An entrepreneur directly and indirectly involved in marketing. He will need a vital knowledge of products and the problems they can solve and how to maximize responses from targeted public to be able to succeed in business.
- **Technical Information:** A workable technical information is needed to make real plans and chart potential courses for business. Technical information gives the knowledge of what products to produce, how well they sell, where to cite business, production facilities and premises, tools and equipment needed to produce, and a technical knowledge of market.
- **ICT Information:** ICT drives almost all businesses today, and this is something an entrepreneur must key into to be able to automate all business operations as well as to reach marketing goals and objectives.
- **Latest Business Technologies:** Entrepreneurs must be aware of latest business technologies such as software, internet solutions, specialized technical experts and other new business solutions to get things done.
- **Financial Information:** Financial information goes beyond the amount of goods sold and the amount of profits made, it also includes projections into future expansions and estimated returns within measurable time.
- **Legal Information:** A business can not be started without understanding its legal implications. A business must be registered to import products. There is always a legal side to everything in business. As entrepreneur must understand the legal sides before he start.

8.10 Short Answer Questions

1. What is market assessment?
2. What are the uses of market assessment?
3. List out the benefits of tools used in market assessment.
4. How are online surveys useful in market survey?
5. State any six sources of market information.

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8.11 Long Answer Questions

1. Discuss the need for market assessment in recent years.
2. Explain the types of techniques used in market assessment.
3. Describe the methods of market survey.
4. Discuss the various sources of market information.
5. Give an account of the methods of collecting market information.

8.12 Answer to Check your Progress

1. . Defining the Problem
   Analyze the Situation
   Collecting Relevant Data
   Data Interpretation
   Problem Solving
   Marketing Plan

2. The business environment includes factors such as:
   1. Technological developments
   2. Government regulations
   3. Geopolitical shifts
   4. Economic indicators
   5. Trade policies
   6. Social and cultural norms

3. Many surveys are conducted over the phone, such as customer-satisfaction surveys. Customer-satisfaction surveys measure satisfaction levels of customers with regard to the company's products, service, prices and other key attributes. These surveys are more quantitative in nature. They can determine where they have significant advantages or problems. Changes can then be made to correct these issues.

4. . **Marketing Information:** Selling was only regarded as marketing. An entrepreneur directly and indirectly involved in marketing. He will need a vital knowledge of products and the problems they can solve and how to maximize responses from targeted public to be able to succeed in business.
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UNIT – 9 E – COMMERCE

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Structure:

9.1 Introduction

The global retail e-commerce sales will reach about 13 percent in the year 2019. Thus, it is a great opportunity for the entrepreneurs to expand their boundaries by opening an online store.

E-commerce is becoming popular day by day due to its vast advantages, including the convenience of shopping anytime and anywhere. We save a lot of time and energy shopping via an e-commerce website.

9.2 Meaning of E- Commerce

E-commerce is a strong trend across many industries. The prevalence and availability of the Internet makes retail websites a popular way for companies to sell both products and services. It is important for new business owners to possess basic business skills.

E-commerce is a popular term for electronic commerce or even internet commerce. The name is self-explanatory, it is the meeting of buyers and sellers on the internet. This involves the transaction of goods and services, the transfer of funds and the exchange of data.

9.3 Steps to start E-Commerce Business

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Ecommerce includes any type of transaction that businesses and consumers conduct via the Internet, including credit card processing. With the expanding popularity of online retail sales, many entrepreneurs are exploring e-commerce business opportunities. This business also needs a plan for selling products, services, or information. A feasibility checklist is an excellent way for an entrepreneur to analyze their business solutions and ideas to determine whether their concept makes smart business sense. Many countries are devising e-commerce strategies to help entrepreneurs plan and executive successful business ventures. International guidelines provide a voluntary code of conduct for businesses engaging in electronic commerce. Building an inventory and working with manufacturers are just two areas in which an entrepreneur will need to excell when managing an e-commerce business. A number of benefits attract entrepreneurs to e-commerce business. Low start-up costs and overhead expenses are major reasons that many people immerse in this business opportunity.

1. Planning

Before starting the e-commerce business, it is essential for an entrepreneur to decide what he is going to do and how. The planning should cover all the aspects of online business with a critical eye.

The internet business is required to run full time as it is not any retail store. The purpose of the online market is that the consumers can avail anything they need anytime and from any place. It a business will fail to fulfill the orders, and in return, it will miss the only chance of building loyalty and a bond of trust with your consumers.

2. Developing the Market Strategy

The most important aspect of an online business is the developing market strategy. A business will plant attract customers into buying your products. The consumers of the online business know about the information of the product since they can not touch it with their hands to check it. It is needed to provide some quality photos of the products from different angles. The online business must avoid over-describing your business and products on the site. They can take the help of social media for that as they can reach the mass audience via social media. On the other hand, search engine optimization also plays an important role. The search engine results list must contain the website link, and it should be on the top.

3. Understanding the Technical Requirements

The website for online business must look attractive and productive. A virtual shopping cart is the initial stage of the fulfillment process. Allow the consumers to browse through the products and provide them with the option of saving their selected items. The user interface should look convincing. They must provide the add-on to their website. Things like “Hurry! Limited period offer,” “off-season sale” and more, add things which the consumers find hard to resist.

It is necessary to the consumer that they can easily access the website.

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9.4 Types of E-Commerce Models

Electronic commerce can be classified into four main categories. This classifications are involved in the transactions. The four basic electronic commerce models are as follows.

1. Business to Business

This is Business to Business transactions. The companies are doing business with each other. The final consumer is not involved. So the online transactions only involve the manufacturers, wholesalers, retailers etc.

2. Business to Consumer

The company will sell their goods and services directly to the consumer. The consumer can browse their websites and look at products, pictures, read reviews. Then they place their order and the company ships the goods directly to them. Popular examples are Amazon, Flipkart, Jabong etc.

3. Consumer to Consumer

The consumers are in direct contact with each other. No company is involved. It helps people to sell their personal goods and assets directly to an interested party. Usually, goods traded are cars, bikes, electronics etc. OLX, Quikretc follow this model.

4. Consumer to Business

This is the reverse of B2C, it is a consumer to business. The consumer provides a good or some service to the company. For example an IT freelancer who demos and sells his software to a company. This would be a C2B transaction.

Examples of E-Commerce

- Amazon
- Flipkart
- eBay
- Fiverr
- Upwork
- Olx
- Quikr

9.5 Advantages of E-Commerce

The following are the advantages of E-Commerce.

- E-commerce provides the sellers with a global reach. They remove the barrier of place (geography). Now sellers and buyers can meet in the virtual world, without the hindrance of location.
- Electronic commerce will substantially lower the transaction cost. It eliminates many fixed costs of maintaining brick and mortar shops. This allows the companies to enjoy a much higher margin of profit.

- It provides quick delivery of goods with very little effort on part of the customer. Customer complaints are also addressed quickly.
- It also saves time, energy and effort for both the consumers and the company.
- A customer can shop 24×7. The website is functional at all times, it does not have working hours like a shop.
- Electronic commerce also allows the customer and the business to be in touch directly, without any intermediaries. This allows for quick communication and transactions. It also gives a valuable personal touch.

9.6 Disadvantages of E-Commerce

E-Commerce has the following disadvantages.

- The start-up costs of the e-commerce portal are very high. The setup of the hardware and the software, the training cost of employees, the constant maintenance and upkeep are all quite expensive.
- The e-commerce industry has a high risk of failure. Many companies riding the dot-com wave of the 2000s have failed miserably. The high risk of failure remains even today.
- At times, e-commerce can feel impersonal. So it lacks the warmth of an interpersonal relationship which is important for many brands and products. This lack of a personal touch can be a disadvantage for many types of services and products like interior designing or the jewelry business.
- Security is another area of concern. Only recently, we have witnessed many security breaches where the information of the customers was stolen. Credit card theft, identity theft etc. remain big concerns with the customers.
- Even after the order is placed there can be problems with shipping, delivery, mix-ups etc. This leaves the customers unhappy and dissatisfied.

9.7 Check your Progress

1. Mention the steps to start E-Commerce business?

2. What are the opportunities of E-commerce Available in future?

3. Demonstrate the recent Trends for E-Commerce in 2019?

9.8 Types of Application

Some common applications related to electronic commerce are

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- B2B e-commerce (business-to-business)
- B2C e-commerce (business-to-consumer)
- Conversational commerce: e-commerce via chat
- Digital Wallet
- Document automation in supply chain and logistics
- Electronic tickets
- Enterprise content management
- Group buying
- Instant messaging
- Internet security
- Online auction
- Online banking
- Online office suites
- Online shopping and order tracking
- Online transaction processing
- Pretail
- Print on demand
- Shopping cart software
- Social networking
- Teleconference
- Usenet newsgroup
- Virtual assistant
- Domestic and international payment systems

Some of the applications are explained below.

1. **Business to Consumer (B2C)** – Transactions happen between businesses and consumers. In B2C ecommerce, businesses are the ones selling products or services to end-users (i.e. consumers). Online retail typically works on a B2C model. Retailers with online stores such as Walmart, Macy's and IKEA are all examples of businesses that engage in B2C ecommerce.
2. **Business to Business (B2B)** – B2B ecommerce pertains to transactions conducted between two businesses. Any company whose customers are other businesses operate on a B2B model.Examples include Xero an online accounting software for small businesses, ADP a payroll processing company, and a payments solution for SMBs.
3. **Consumer to Business (C2B)** – Consumer to business ecommerce happens when a consumer sells or contributes monetary value to a business. Many crowd sourcing campaigns fall under C2B ecommerce. Some of the business sell eco-friendly. Products water filters is one example of a company that engaged in B2C

ecommerce. Back in 2012, Soma launched a Kickstarter campaign to fund the manufacturing of their product. The project was successful, and Soma went on to raise $147,444.

4. **Consumer to Consumer (C2C)** – C2C ecommerce happens when something is bought and sold between two consumers. C2C commonly takes place on online market places such as E-Bay in which one individual sells a product or service to another.
5. **Business to Government** (B2G) – When a government entity uses the Internet to purchases goods or services from a business, the transaction may fall under B2G ecommerce. Let's say a city or town hires a web design firm to update its website. This type of deal may be considered a form of B2G.
6. **Government to Business (G2B)** – G2B transactions take place when a company pays for government goods, services, or fees online. Examples could be a business paying for taxes using the Internet.
7. **Consumer to Government (G2C)** – Consumers can also engage in B2C ecommerce. People paying for traffic tickets or paying for their car registration renewals online may fall under this category.

9.9 Architecutral E-Commerce

The architectural model of an e-business has a computer system that supports different databases, user interfaces and applications. In an article on EnterpriseBusinessArchitecture, Ralph Whittle and Conrad Myrick state that e-business architecture is the link between business strategy and results.

9.9.1 Types in the E-Business Architectural

In the e-business architectural model, there are supply and customer collaborations or interfaces. Supply collaborations are related to business processes, information technology and data required to operate. Customer collaborations refer to the business processes, rules, data and information technology needed for sales, marketing, customer service, customer support and business partners. Interactions in both collaboration may occur over the telephone, internet or face-to-face. Such solutions will help meet the enterprise's reliability, performance and scalability requirements by the ability to change in response to changes in the market.

1. Enterprise Level

The enterprise level of the e-business architectural model relates to the strategic direction of a company. This level helps to influence business behaviorus as well as supply and customer collaborations. In the enterprise level, supplier-facing processes help to make supply chains, integrated product development and procurement functional. It also assists customer collaborations in the areas of sales, customer relations, customer contracts and marketing.

2. Functional Level

The functional level of the e-business architectural model relates to the components of a value chain and discovers the main process-to-process relationships, including those that relate to customer collaborations,

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corporate functions, supply collaboration and value chains. This level focuses on the customer to find solutions, real-time reporting of a competitive analysis, the ability to incorporate new technologies and integrated data storage. E-business should use the same business processes throughout the functional level.

3. Operational Level

The operational level of the e-business architectural model refers to the detailing and documentation of integrations and process definitions within the different value chains and process areas. The operational level helps to define execution activities, process roles, control points, supporting applications and operating systems and using a conceptual view of communication within the architectural model instead of a physical view.

9.10 Challenges of E-Commerce

According to many industry analysts, there are four dimensions to the challenges facing ecommerce in today's crowded online marketplace. The major challenges of ecommerce include:

1. Economic challenges

The E-Commerce merchants are facing the economic challenges such as costs establish an e Commerce business, the number of competing online merchants, issues connected with infrastructure upgrades, and the availability (or shortage) of skilled staff.

2. Technological Challenges

According to industry analysts, the primary technology-related challenges of ecommerce businesses include security concerns, bandwidth availability, and integration with existing protocols. The e-commerce faces a new high profile 'hacking' incident, consumer confidence in online retailing takes a 'hit' and raises the importance of ecommerce security. Integrating Internet software with preexisting applications and databases presents another technology-related challenge; ecommerce technology continuously evolves, and integrating that new technology is not always an easy—or inexpensive—task.

3. Social Challenges

In recent years, consumers' concern over issues such as privacy, and sharing personal information has grown exponentially. Unlike traditional merchants who were easily able to use language and marketing methods played well with their target audience. Online sellers have to take into consideration the fact that there are many linguistic, cultural and social differences in their extended customer base.

4. Legal Challenges

The ecommerce business has many unresolved legal issues, including those pertaining to intellectual property rights. Then there are legal issues pertaining to taxation: The recent Supreme Court decision ruled that states can collect online sales taxes on businesses that are not physically located within their boundaries has the potential to dramatically impact the bottom line of ecommerce companies nationwide. One of the 'down sides' to increased market share, is that ecommerce companies have become a more desirable taxation 'target' for states seeking to increase their tax base.

9.11 Opportunities of E-Commerce

E-commerce has opportunities to shape the future of online sales.Some of the most significant ecommerce trends shaping its future.

Online to Offline Growth: Despite explosive growth in recent years, ecommerce occupies only about 11.9 percent of retail sales, although that is up from only 3.5 percent a decade ago. As a result, "online to offline" commerce is a trend to watch, as merchants strive to provide shoppers with a digital experience.

Multi-Channel Ecommerce: Mobile customers are expected to account for $319 billion in sales by 2020, and "multi-channel" sales, providing customers the ability to easily purchase goods through an array of avenues. Successful online merchants will need to have an infrastructure the manage and maintains multi-channel retailing.

Ecommerce Automation: As technology continues to evolve, so too do the operational needs of online merchants. The fulfillment of automation in the warehouse, ensuring that a business' website is fully up-to-date with the latest technology, requiring minimal human involvement on a daily basis, will be vital to continued success for ecommerce companies.

Mobile Ecommerce's Growing Popularity: According to data from Adobe, in 2017 on both Black Friday and Cyber Monday of the year 2017, 30 percent of online sales closed through mobile devices. Although desktop is more popular for making ecommerce purchases, mobile is growing in popularity and should no longer be seen as just a method of allowing online customers to 'browse'.

Opportunities in International Ecommerce: A study by McKinsey suggests that ecommerce merchants may want to shift their sights to the Asia Pacific region, when seeking out international sales opportunities. The study found that 1.4 billion people will join the global 'middle class' by 2020, with 85 percent of that growth in the Asia Pacific region. Establishing local partnerships, familiarizing oneself with regional laws and customs, and ensuring strong, effective marketing will a be a key elements to consider as ecommerce companies consider expanding internationally.

9.12 Recent Trends for E-Commerce in 2019

1. Animation

Motion on a static screen will always attract attention. This is one reason auto-played videos are so popular on social media platforms such as Facebook and Instagram.

Use animation and movement on your website or email marketing campaigns to draw attention to specific details and engage viewers. Don't overdo it, and be careful not to distract attention from the most important actions you want a customer to take (such as completing their purchase).

2. Social Shopping and Native Shopping

Popular visual platforms such as Instagram and Pinterest are continuously improving ways in which ecommerce brands can market to customers in creative, organic ways. In-app shopping modals can allow your customers to purchase products without having to leave their preferred platform, promoting a greater sense of trust and security for shoppers.

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3. Automation

The more tasks your business can automate, the more easily scalable your business model becomes. Many aspects of targeting, marketing, customer service, and fulfillment can now be automated to take pressure off your human resources in 2019.

4. Influencer Marketing

While this isn't a new trend, it's continuing to become more prevalent and more profitable. Social media influencers are getting savvier, forming creative partnerships that allow burgeoning brands to connect with niche audiences and create trust through word-of-mouth marketing.

5. Artificial Intelligence

The rise of conversation AI (commonly known as chatbots) is one of 2019's most popular ecommerce trends helping brands interact with customers at scale. In addition to answering common customer questions, messenger bots are also able to facilitate the buying process for online shoppers.

This ecommerce trend provides massive value to busy consumers who demand immediate answers, regardless of the time of day or the platform they choose to contact a company. AI allows ecommerce businesses to support customers on all platforms simultaneously.

6. High-Quality Photos and Videos

Stock photos can make it difficult to differentiate your brand. Use branded photography and videography on your website, email, and social media to create a memorable experience for shoppers. 360-degree product videos are another popular ecommerce trend in 2019.

7. Diversity in Representation

Perhaps better late than never, more e-commerce brands are finally beginning to understand that they can appeal to customers by using models who look like real people. Aerie, a division of American Eagle, recently one-upped the lingerie industry by launching their new #AerieReal campaign: an inclusive marketing campaign featuring models with various disabilities, conditions, illnesses, and even body hair. Their efforts were so shockingly refreshing that their campaign went viral, and Aerie received publicity from news outlets across the globe. More importantly, women of all shapes, sizes, ethnicities, and life experiences were able to see models who actually looked like them for the first time ever. Unsurprisingly, American Eagle's stock price jumped considerably in the wake of the campaign.

8. Augmented Reality and Virtual Reality (AR and VR)

Imagine the ability to design your home or office without having to purchase the items first. With augmented reality and virtual reality, that's becoming a common application for innovative ecommerce companies. Magnolia Market is a great example of how to convert shoppers into buyers through the use of an AR-enabled shopping experience, allowing app users to visualize home products before they buy.

9. Machine Learning

AI-based ecommerce is still in its early development, but 2019 is definitely the time to begin utilizing its superpowers. Unlike simple automations, advanced machine learning allows you to deeply customize how individual users experience your brand.

Beyond personalizing specific fields according to customer data, email marketing campaigns can be triggered by patterns of customer behavior such as purchase history. For example, if a customer habitually orders a product every few months, the system can send reminder emails prompting future re-orders.

10. One-Click Purchasing

In 2019, An ecommerce store must be mobile-friendly. And the checkout process should be as simple and easy as possible. But if you really want to keep up with e-commerce trends in 2019, aim for one-click ordering. This can increase impulse buys, boost your conversion rate, and satisfy busy shoppers.

11. Voice Search

As Google Assistant and Alexa become more popular, voice search on mobile devices is used more often to make purchases. Optimizing ecommerce shop for voice search can position a business to receive more traffic in 2018. For best results, be sure to mirror the language to target customers actually uses.

12. Image Search

Search engines like eBay, Pinterest, and Google are now allowing users to search for products by taking or uploading a photo. Visual search makes it easy for users to find similar products and compare options.

13. Next-Day Delivery

If a company is not able to fulfill orders quickly at scale, outsource shipping and fulfillment to a third-party logistics company that can accommodate fast delivery.

9.13 Short Answer Questions

1. What is the meaning of E-Commerce.
2. Give some examples of E-Commerce.
3. Write any three disadvantages of E-Commerce.
4. Write any six types of application related to E-Commerce.
5. Write a short note on
   (i) Mobile E-Commerce growing popularity.
   (ii) online to offline growth.

9.14 Long Answer Questions

1. Explain the types of E-Commerce models.
2. What are the advantages and disadvantages of E-Commerce?
3. Explain the challenges faced by E-Commerce.
4. Discuss the types of Architectural E-Commerce.
5. Describe the recent trends in E-Commerce.

9.15 Answer to Check your Progress

1. Ecommerce includes any type of transaction that businesses and consumers conduct via the Internet, including credit card processing**.**

i. Planning
ii. Developing the Market Strategy

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iii. Understanding the Technical Requirements.

2. **Online to Offline Growth:** Despite explosive growth in recent years, ecommerce occupies only about 11.9 percent of retail sales, although that is up from only 3.5 percent a decade ago. As a result, "online to offline" commerce is a trend to watch, as merchants strive to provide shoppers with a digital experience.

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UNIT – 10
EVOLUTION OF ENTREPRENEURS

Structure:

10.1 Introduction

History of modern industrial production in India is not old but non-agricultural industrial production in country is really so. Handicrafts of artistic quality manufactured by the indigenous artisans occupied pride of place during the 17th and 18th centuries. Silk weaving in Varanasi, woolen shawls of Kashmir, stone carvings of Rajasthan and woolen carpets of Bhadohi-Mirjapur are some of the examples. Rise of Indian entrepreneurship in India has been staggering. Political, social and cultural factors are responsible for the state of affairs.

10.2 Historical Perspective Market Assessment

Some of the major historical conditions for entrepreneurship development in India are as follows:

1. Non-agricultural Production in Traditional India
2. Caste-based Organization of Production
3. Rise of Indian Entrepreneurial Class.

1. Non-Agricultural Production in Traditional India

Factory-based industrial production in India started hardly a century ago. The non-agricultural manufacturing existed even during the Mughal period, which occupied place of excellence in the world.

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Highly skilled artisans of the country were engaged in manufacturing cotton textiles, means of transport (ship building in particular), house construction, metal and stone works. Cotton textile was mainly manufactured and produced in almost every part of India.

Dacca, Patna, Banaras, Lahore, Multan and Allahabad were the places of repute for the fine quality cloth. Technology used for production was simple and cheap. The urban market was very small and only the remains of the production after village consumption were transported there.

2. Caste-Based Organization of Production

In pre-colonial India, manufacturing was mainly a rural activity. Agriculture and non-agricultural manufacturing activities were basically linked with the caste-based social organization of the village to provide self-sufficiency to the village life.

Artisan castes like weavers, potters, carpenters, blacksmiths and some lower caste with fixed hereditary occupations like barbers, grain-roasters, water-carriers and washer men used to serve the land-owning higher castes people. The service-providing occupational castes and service-receiving higher castes were traditionally tied with each other into a relationship of client-patron type.

This socio-economic institution was called 'jajmani' system. The 'jajmani' system has been appreciated by functionalists like William Wiser and K.

3. Rise of Indian Entrepreneurial Class

Modern industrial activity in India started around the middle of the nineteenth century. Tata Iron and Steel Works was perhaps the first Indian enterprise to start in the year 1911.

Cotton, jute and coal were the first fields which constituted the industrial sector. The techno serve is an international non profit that promotes business solutions to poverty in the developing world by linking people to information, capital and markets. It's had graters is in washing to D.C. dominance of the traditional industries came to end and opening of the gate for the supply of indigenous entrepreneurship.

Journey of Indian industries began with cotton textile. The first cotton mill was established in the year 1854 by a member of the Parsi community. Industrial growth in the country accelerated during the Second World War, but the emergence of entrepreneurs was very slow.

10.3 Global Indian Entrepreneurs

Indian economy has tremendous growth in urban industries like services and information technology. Around 172 million Indians continue to live in poverty and of these, 69 percent live in rural areas. More than two-thirds of the population depends on agriculture—mostly at a small-scale or subsistence level—for their livelihoods.

69 % of Indians live in rural areas.

The women and men across rural India need to:

- **Strengthen Value Chains**: Men and women in rural areas work as a small and marginal farmers to enable them to grow high-value products, engage with private-sector companies and sell in profitable markets.

- **Foster Entrepreneurship in Poor Communities**: Technoservice provides business training and skills development support to women and men who want to create thriving, sustainable enterprises.
- **Support Sustainable Local Economic Development**: Technoserve supports to promote local development by using market-led approach which helps to increases incomes for target groups, while also catalyzing economic and social development for the whole community.
- **Promote Gender-Inclusive Communities**: Technoserve integrates a gender lens throughout their implementation of programs and provide tailored support for women to expand their opportunities for sustainable livelihoods.

10.4 Institutions Market Assessment

The following institutions help for promotion and development of small, medium and large industries and also helps to assess market situation.

- National Small Industries Corporation (NSIC).
- Small Industries Development Organisation (SIDO).
- Khadi and Village Industries Commission (KVIC) Coir Board
- State Small Industries Corporation (SIC).
- State Financial Corporation (SFC).
- State Industries Development Corporation (IDC).
- Technical Consultancy Organizations (TCO).
- Marketing Assistant Scheme

10.4.1 NSIC (National Small Industries Corporation)

The National Small Industries Corporation Ltd. (NSIC) was set-up by the Government of India in 1955 with the objective of promoting and developing small-scale industries in the country.

Functions

Supply and distribution of indigenous and improved raw materials.

- Supply of both indigenous and imported machine on easy hire-purchase terms.
- Marketing of Small Industries products within the country
- Export of Small Industries products and developing export.
- Developing prototypes of machines, equipment and tools which are passed on to Small-Scale Units for commercial production.
- Technical training in several industrial trades
- Development and up-gradation of technology and implementation of modernization programmes.
- Providing of Common Facilities through Prototype Development & Training Centres.

- Setting-up Small-Scale Industries in other developing countries on turnkey basis.
- Facilities are available to the Small-scale unites registered with NSIC under the Single Point Registration Scheme under the Government Store Purchase Programme.

Notes

1. Issue of tender sets free of cost;
2. Exemption from payment of Earnest money;
3. Waiver of Security Deposit into the monetary limit for which the unit is registered; IV. Price preference up to 15% over the large-scale unit.
4. To develop industrial estates and testing facilities in the industrial areas. NISC, an ISO9001-2008 certified Govt. of India enterprise operates through countryside network of office and 8 Technical centres in Chennai, Howrah, Hyderabad, New Delhi, Rajkot, Rajpura, Ramnagar and Aligarh.

10.4.2 Small Industries Development Organisation (SIDO)

SIDO helps in securing sub-contracting jobs from large and medium undertaking; SIDO established 16 sub-contracting exchanges at the SISIs. The main function of these sub-contracting exchanges are:

- To invite small-scale units to register their capacity.
- To approach large industries to find out items which may be manufactured in small-scale units;
- To render technical assistance to small-scale units in creating new capacity for specific processes or for the manufacture of item/stores which are required by large –scale undertaking; and
- To furnish information on firms from whom enquiries can either secure orders to meet their requirements or on sub-contract their requirements.

Co-ordination Activity

- To co-ordinate various programmes and policies of various State Governments pertaining to SSI.
- To maintain relation with the Central Industries Ministry, Planning Commission, State Level Industries Ministry and Financial Institutions.

Industrial Development Activities

- To give essential support and guidance for the development of ancillary units.
- To provide guidance to SSI units in terms of countering market competition and to encourage them to participate in the Government Stores and Purchase Tenders.

Management Activities

- To provide training, development and consultancy services to SSI to develop their competitive strength.
- To provide marketing assistance to various SSI units.
- To assist SSI units in selection of plant and machinery, location, layout design and appropriate process.

10.4.3 Khadi and Village Industries Commission (KVIC)

Mahatma Gandhi Institute for Rural industrialisation has been set up by KVIC and IIT, Delhi at Maganwadi (Wandha) to support, upgrade and accelerate the process of rural industrialisation. It has major divisions:

- Khadi and textile industries.
- Bio processing and herbal based industries.
- Chemical industries.
- Rural crafts and engineering division.
- Rural infrastructure and energy.
- Management and systems division.

The projects are directed to interfacial working groups. There are 14 interfaces now and another 25 interfaces will be added during the next 5 years to crease a wide network in the country.

10.4.4 State Small Industries Corporation (SIC)

The State Small Industries Development Corporations(SSIDCs) established under the Companies Act,1956, are State Government undertaking, responsible for catering to the needs of the small, tiny and cottage industries . SSIDCs enjoy operational flexibility and can undertake a variety of activities for development of small sector. At present, 18 SSIDCs are in operation.

Functions

- Procurement and distribution of scarce raw materials.
- Supply of machinery on hire-purchase basis,
- Providing assistance for marketing of the products of small-scale units,
- Extending seed capital assistance on behalf of the State Governments, and Construction of industrial estates/sheds, providing allied
- infrastructure facilities and their maintenance,
- Providing management assistance to production units

10.4.5 State Financial Corporation(SFC)

State Financial Corporation’s (SFCs), operate at the State-level function with the objective of financing and promoting small and medium enterprises for achieving balanced regional socio-economic growth, generating greater employment opportunities. At present, there are 18 SFCS in the country. Functions:-

- To provide terms loans for the acquisition of land, building, plant and machinery, pre-ops and other assets.
- To promote self-employment.
- To promote industry by the rural and urban artisans.
- To encourage new and technically/professionally qualified women entrepreneurs in setting up industrial project.
- To finance expansion, modernization and up gradation of technology in the existing units.
- To provide financial assistance for transport vehicles strictly for captive use, depending on the requirement of the projects.

- To provide Interest subsidy for self-employment of young persons, adoption of indigenous technology in small and medium sector.

Notes

10.4.6 State Industries Development Corporations (SIDC)

The State Industries Development Corporations (SIDCs) were established under the Company Act, 1956 in the sixties and early seventies as wholly owned State Government undertaking for promotion and development of medium and large industries. SIDCs act as catalysts for industrial development and provide impetus to further investment in their respective states; The SIDCs are agent of IDBI and SIDBI for operating its seed capital scheme.

Functions:

- Grant of financial assistance to industrial units by way of loans, and guarantees.
- Providing risk capital to entrepreneurs by way of equity participation and seed capital assistance.
- Administering incentive schemes of Central/State Governments;
- Promotional activities such as identification of projects ideas through industrial potential surveys, preparation of feasibility reports, selection and training of entrepreneurs; and
- Developing industrial areas/estates by providing infrastructure facilities.

10.4.7 Technical Consultancy Organisations (TCO)

TCOs provide a complete set of consultancy services to small and medium enterprises individual entrepreneurs, Government Departments and agencies, various state level institutions, commercial banks etc. They provide consultancy services and counsel small scale units in preparation of techno economic feasibility reports, market survey, modernization and diversification programmes, revival of sick units etc.

Objectives

- Carrying out industrial potential surveys,
- identification of project ideas, project formulation;
- Evaluation of projects referred to them;
- Preparation of project profiles, feasibility studies;
- Preparation of project reports and where called upon, to render turn-key services in project implementation;
- Conduct Entrepreneurship Development Programmes, entrepreneurship awareness camps, SEEUY training programmes;
- Identifying the potential entrepreneurs and providing them with technical and management assistance. Undertaking market research and surveys, for specific products;
- Undertaking energy audit and energy conservation assistants;
- Project supervision;
- Undertaking export consultancy and export oriented projects based on modern technology.

10.5 Check your Progress

Check your Progress

1.list out the functions of Sub- Contracting of SIPO?

2.What are the division of Khadi and village industries Commission?

3.What are the Functions of SIDC?

10.6 Modern Entrepreneur

Modern of Entrepreneurship

According to webster's Third New International Dictionary (1961)

"An organizer of an economic venture, especially one who organizes, owns, manages and assumes the risk of a business or enterprise."

The term entrepreneurship first appeared in 1723, in a French dictionary. It derives from the French word '*'Entreprendre''* which means **''to pursue opportunities''** or **''to undertake''**. An entrepreneur is a person devoted into creating something of value for the people, the society and of course the economy**.** An entrepreneur also has a sense of personal pride and satisfaction for his achievements**.** Searing risks is part of the process but so is the immense reinforcement that furthers entrepreneurial actions. Today, people use the internet**,** social media jobs and online careers with technology. Technology has taken up most of the entrepreneurial spirit as it is considered to be the future of the economy.

Accounting jobs are still very popular and will continue to be popular. Construction and handyman businesses still have the same response. Entrepreneurship is always adapting but there are certain things that will never change. Some jobs that will never lose their value. Although new ideas and new job appear all the time, entrepreneurship is always evolving, not changing**.** Modern versions of entrepreneurship are just the evolution of old ideas and jobs. Every young entrepreneur needs to know the history of entrepreneurship before diving into it. It will help them understand the nature of what they are trying to achieve and gain new ideas for their future endeavors.

10.7 Short Answer Questions

1. List out the institutions for market assessment.
2. Give a short note on 'caste based organization of production' in India.
3. Write a short note on Khadi and Village Industries Commission.(KVIC)
4. What are the management activities of SIDO.
5. State the main features of Global Indian Entrepreneurs.

10.8 Long Answer Questions

1. Briefly explain about National Small Industries Corporation(NSIC).
2. Explain the objectives of Technical Consultancy Organisation(TCO).

3. Describe the role of modern entrepreneur in economic development.
4. Discuss the contribution of State Financial Corporation in economic development.
5. Give an account of the main functions and other activities of Small Industries Development Organisation(SIDO).

Notes

10.9 Answer to check your progress

1. The main function of these sub-contracting exchanges are:

- To invite small-scale units to register their capacity.
- To approach large industries to find out items which may be manufactured in small-scale units;

To render technical assistance to small-scale units in creating new capacity for specific processes or for the manufacture of item/stores which are required by large –scale undertaking;

2. It has major divisions:

- Khadi and textile industries.
- Bio processing and herbal based industries.
- Chemical industries.
- Rural crafts and engineering division.
- Rural infrastructure and energy.
- Management and systems division.

3. Grant of financial assistance to industrial units by way of loans, and guarantees.

- Providing risk capital to entrepreneurs by way of equity participation and seed capital assistance.
- Administering incentive schemes of Central/State Governments;
- Promotional activities such as identification of projects ideas through industrial potential surveys, preparation of feasibility reports, selection and training of entrepreneurs; and
- Developing industrial areas/estates by providing infrastructure facilities.

Notes

UNIT - 11
STRATEGIC GROWTH

Structure

11.1 Introduction

11.2 Strategic Growth of Entrepreneur

Small companies are always searching the ways to promote their business and increase sales and profits. Companies must use probable techniques for executing a growth strategy. The technique used by a company to expand business is highly dependent upon its financial situation, the competition and the government regulations and policies.

Some common growth strategies are identified in small scale business. They are as follows.

(i)Market penetration

(ii) Market expansion

(iii) Product expansion

(iv) Diversification

(v) Acquisition

(i)Market Penetration

One of the growth strategies used in business is market penetration. A small company uses a market penetration strategy to self existing products within the same market. Increasing market share is the only way of growing through existing products and markets.

The best way to increase the market share is by lowering the prices of the commodities.

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(ii) Market Expansion

Market expansion is another remarkable growth strategy. It means that development of market involves in selling current products in a new market.

If an entrepreneur is unable to search for new markets, it is not possible to increase sales or profits. A small company uses market expansion strategy, only if it finds the use of product in a new market.

(iii) Product Expansion

A small scale company can expand its line of products or add new features to increase sales and profits. When small companies use a product expansion technique, it is referred as product development.

The selling continues within the current market. A product expansion growth strategy basically works well when there is a change in technology. Companies may be compelled to add new products as older ones become outdated.

(iv) Diversification

Growth strategies in business involve diversification. By diversification, a company sells new products in new markets. This type of strategy is highly prone to risk and losses.

A small company acknowledges the plan carefully while utilizing a diversification growth strategy. Marketing research is the important to identify consumers in the new market will potentially like as well as buy the new products.

(v) Acquisition

Growth strategies engages acquisition of other businesses. In acquisition, a company purchases another company to expand its functions. A small company uses this type of strategy to strengthen its product line and enter new markets.

An acquisition growth strategy is very risky, but not as risky as a diversification strategy; A company must know the complete knowledge of an acquisition strategy to achieve its goals mainly due to the significant investment required to execute it.

11.3 Check your Progress

Check your Progress I

1. Write a note on product expansion?

2. Brief explain the three Stages of a company?

11.4 Need for Strategic Planning

1. Recruit Right Personnel at the Right Time

A person must have a knowledge as well as strong network who is eager to close deals with clients. But it can be harmful for a company's well being. Sometimes marketing team emphasizes only on lowest prices. They forget to pay attention to engineering and quality aspects. This casts an ill

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effect on the company's reputation. The effect will depend on the company's life cycle. There are three life stages in a company's life and these stages will not suit for all companies. The three life stages are-

- Scouting– This is the preliminary stage of a company. At this stage, business development deals with identification of various entry points to market. Various leverage points are identified and the concerned internal team is provided with feedback of market analysis. The key skills involved is collaborative work with the product and engineering teams.
- Testing-At this stage, the business developer will close a few open deals to test the assumptions made from the market and input various findings. Analytical skill uses for setting up a measurement framework. The framework will depend on the company's mission, strengths and vision.
- Scaling– After the data is gathered from each and every deal, a path is laid down for goal fulfillment. An entire support system for future activities is created.

2. Look for the Right Opportunity

The contacts with whom accompany deals must be cross checked as well. Dealing with the right person is very important. This practice leads to unwanted wastage of time. It is very important to identify the potential clients with whom a company can do business. Scanning of the market for fruitful associations is vital before starting dealing with prospects. If this step is omitted, a company will find will find that it already drained out, yet no positive associations have been made. Focus on those clients who actually matters to business rather than digging in unwanted ones.

3. Stop Talking too much

When a company speaks for more than 50 percent of the time, it is actually talking 10 times excess. Its job is not to blurt out everything, but understand and probe the client's perspective, his problems, issues, type of work done, time taken etc. Be an active listener it really wants to develop its business.

Check your Progress II

3. State the unique feature of Entrepreneurship

4. Explain the managing concerns of growing enterprise any five?

4. Focus on the Client's Requirement

A company must listen carefully the client's requirements, preferences. If it listens carefully to its clients, it can modify its own pitch to match the client requirements which in turn increase client satisfaction rates. Always pay a keen attention to the clients' issues so that it customize its offerings as per clients. If a client fails to get what he desires, then the chances of doing business with client is minimized. He will not select a company as his business partner and instead look for other prospective partners.

5. Be Important

It is a well known idea that important people love to deal with other important people. Be active within business associations. To be part of those organizations that fulfill your business needs and where you can interact with prospective clients. A company can offer volunteer services to industry experts to gain visibility as well as to capture high value targets.

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6. Main Motto: Client Satisfaction

The main objective of a company is to satisfy their client fix its client's problems first. If a company takes a quick action once its clients complaints about an issue, it will make an enthralling impression on client. A company will get applause from its client and its name will be circulated in its industry members.

7. Provide Excellent Service

After a company successfully influenced its clients and got business from them, it is time to make them happy with its amazing services. If a company business succeed in making clients satisfied, they will be offering to repeat business as well as new business opportunities.

8. Qualitative vs Quantitative Approach

Many businesses focus purely on qualitative business value proposition and gives less importance to the other factors. This plan has a high probability of failure and is quite difficult to achieve. There is also a minimal probability of the market to pay higher for a premium service. The market is not ready to spend extra bucks even if they get improved user experiences and better services. As a result, the quantitative aspect of the business increases the chances of success. Creating competitive lowest prices will surely attract more clients. This in turn will maximize your revenue generation.

9. Stop Saying: I Don't have any Time

Time management is a skill which every business owner needs to know. It is all about prioritizing work. Important work needs to be done first and less important jobs can be done later. Managing Balancing time between operational activities and business development activities is an art which need to master.

10. Innovation at its Best

Innovation is the best way to achieve a company's goal. When a company offers its clients something unique then there is a high probability that its client will do business with a company. Everyone prefers products or service that are new to the market. Innovation may involve new methods, ideas, workflows, process flows which will be beneficial for companies.

11.5 Understanding the Growth of Stage

The role of business development Strategies is extremely crucial in the first stages of a new business. An entrepreneur needs to identify the winning concepts for his business. He should have brainstorm ideas in order to be successful in developing business. If a company is not growing, it will exit from the market.

While many companies are able to achieve fast growth in their early years, the vast majority will find themselves stalling once they mature. Once a business hits that point, there vs generally only two outcomes: they either become a victim of their own success and shut down soon after, or they remain comfortably in that range, and never achieve any significant growth thereafter.

If a company wants to continue scaling, it needs a growth strategy.

Notes

Successful growth strategies are not only dominate their markets and become worldwide brands, but to actually continue growing. Example companies Nike, Face book and starbucks.

In today's article, we'll be breaking down the growth strategies behind some of the world's greatest successes and failures in business. We will deep dive on what we can learn from them and most importantly.

1. What is a Growth Strategy?
2. Levers of Business Growth
3. The Right Growth Strategy For Your Business
4. How to Invest in Business Growth
5. AirBnB Expands its Offerings With Experiences
6. Evernote Acquires and Diversifies Too Much
7. GrowthHackers and High Tempo Testing
8. Hotjar Absolutely Nails Product Development
9. Fab Succeeds – and Fails – at Developing the Market
10. Convertkit Develops the Market with Affiliates
11. Lessons for Growth Strategy

Growth Strategy

A growth strategy is a plan of action designed to help businesses capture a larger share of the market; A company implements the growth strategy that will depend on the factors such as their finances, target market, and the industry they occupy.

Levers of Business Growth

There are different tactics can be used to increase the sales and revenue to achieve our strategic goals.

It is needed to take a step to look at the bigger picture, and identify what the larger strategic sources of growth are before a company starts implementing its tactics.

Igor, Ansoff is the "Father of Strategic Management" Ansoff determined the four main strategies a business that can apply for achieving sustainable business growth:

The Right Growth Strategy for Business

A business has to select kind of growth a strategy which is right for business; Ansoff also developed a handy chart to help businesses evaluate potential opportunities for growth. He published in the pages of Harvard Business Review, The 'Ansoff Matrix', is known as the 'Product-Market Matrix', is one of the most widely-used marketing models in the world.

Market Penetration stands out as the growth strategy with the lowest risk. This is understandable, as it involves selling an existing product to a well-defined target audience.

Entrepreneurs will need to start adopting different growth strategies, such as Product Development or Market Development to continue growing their business any time you move into a new quadrant, the amount of risk naturally increases.

How to Invest in Business Growth Strategy

Achieving growth is not about relying on any single growth strategy, but a combination of several. While investing all the resources into Market Penetration will only get on focusing its efforts solely on diversification would be far too risky.

The selected tactics primarily focus on the improvement and optimization of the current product and customers.

While there are no hard and fast rules on how much a company should be investing in each area, it generally wants to adhere to the 70/20/10 rule:

- 70% of the growth strategy should focus on its Core Initiatives,
- 20% on testing and running experiments with its Adjacent Initiatives,
- And finally, 10% of its efforts should be devoted to researching and experimenting with something *entirely new*.

The examples of two companies named Air Bnband Ever note are explained with their growth strategy. They are as follows :

AirBnb Expands its Offerings with Experiences

Air BnB’s meteoric is one of the most well-known brands in the world. It was established in the year 2008. Air BnB’s managed to aggressively corner the hospitality and tourism market.

Air BnB has defied all odds and continues to grow as a business, with a staggering growth rate of 100% year on year.

Air BnB faced a huge challenge to their continued growth – namely, competitors like Travel Freak and Flip Key were starting to saturate the market. They faced regulatory issues with local and international governments.

AirBnB provides a service that allows users to take part in local experiences like tours and art classes, hosted by locals.

Evernote Acquires and Diversifies too much

Evernote company has somehow managed to grow in all the right and wrong ways simultaneously.

During 2011 and 2015 – Evernote company plan for growth was clear: diversify *as much as possible*.

Going far beyond its core product of being a note-taking app, Evernote began launching everything from an app that allowed people to keep track of meals and recipes, to physical products like notebooks, backpacks and more.

Evernote had neglected to conduct any significant market research or product testing before releasing each new product.

The end result was disastrous. Many of Evernote’s new products were heavily criticized, and wound up being shut down shortly after their release. To make matters worse, their prioritization on diversification over everything else caused the company to lose sight of their core business, eventually releasing a version of their product that garnered widespread criticism.

Evernote committed the classic mistake of believing that the only way to continue growing is to focus solely on developing new products or services. While Diversification as an engine of growth is already a risky investment, making it a *primary strategy* for growth is almost certainly a recipe for disaster.

Notes

11.6 Unique Managerial of Entrepreneurship

Entrepreneurship is characterized by the following features

1. **Economic and dynamic activity :**
   Entrepreneurship is an economic activity because it involves the creation and operation of an enterprise with a view to creating value or wealth by ensuring optimum utilisation of scarce resources. Since this value creation activity is performed continuously in the midst of uncertain business environment, therefore, entrepreneurship is regarded as a dynamic force.
2. **Related to Innovation**
   Entrepreneurship involves a continuous search for new ideas. Entrepreneurship compels an individual to continuously evaluate the existing modes of business operations. More efficient and effective systems can be evolved and adopted. In other words, entrepreneurship is a continuous effort for synergy (optimization of performance) in organizations.
3. **Profit Potential**
   "Profit potential is the likely level of return or compensation to the entrepreneur for taking on the risk of developing an idea into an actual business venture." Without profit potential, the efforts of entrepreneurs would remain only an abstract and a theoretical leisure activity.
4. **Risk Bearing**
   The essence of entrepreneurship is the 'willingness to assume risk' arising out of the creation and implementation of new ideas. New ideas are always tentative and their results may not be instantaneous and positive.
   An entrepreneur has to have patience to see his efforts bear fruit. In the intervening period (time gap between the conception and implementation of an idea and its results), an entrepreneur has to assume risk. If an entrepreneur does not have the willingness to assume risk, entrepreneurship would never succeed.

11.7 Benefits of Entrepreneurship to an Organisation

1. Development of Managerial Capabilities

The biggest significance of entrepreneurship lies in the fact that it helps in identifying and developing managerial capabilities of entrepreneurs. An entrepreneur studies a problem, identifies its alternatives, compares the alternatives in terms of cost and benefits implications, and finally chooses the best alternative.

This exercise helps in sharpening the decision making skills of an entrepreneur. Besides, these managerial capabilities are used by entrepreneurs in creating new technologies and products in place of older technologies and products resulting in higher performance.

2. Creation of Organisations

Entrepreneurship results into creation of organisations when entrepreneurs assemble and coordinate physical, human and financial resources and direct them towards achievement of objectives through managerial skills.

3. Improving Standards of Living

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By creating productive organisations, entrepreneurship helps in making a wide variety of goods and services available to the society which results into higher standards of living for the people.

Possession of luxury cars, computers, mobile phones, rapid growth of shopping malls, etc. are pointers to the rising living standards of people, and all this is due to the efforts of entrepreneurs.

4. Means of Economic Development

Entrepreneurship involves creation and use of innovative ideas, maximisation of output from given resources, development of managerial skills, etc., and all these factors are so essential for the economic development of a country.

11.8 Factors Affecting Entrepreneurship

Some of the important factors are listed below

1. **Personality Factors**

Personal factors, becoming core competencies of entrepreneurs, include:

a. Initiative (does things before being asked for)

b. Proactive (identification and utilisation of opportunities)

c. Perseverance (working against all odds to overcome obstacles and never complacent with success)

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

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

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

g. Self-critical (learning from his mistakes and experiences of others)

h. A Planner (collects information, prepares a plan, and monitors performance)

i. Risk-taker (the basic quality).

2. **Environmental Factors**

Environmental factors such as political climate, legal system, economic and social conditions, market situations, etc. contribute significantly towards the growth of entrepreneurship. For example, political stability in a country is absolutely essential for smooth economic activity.

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

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

Notes

11.9 Concerns of Growing Enterprise

1. Cash Flow Management

Cash flow problems are the second most common reason why small businesses go bust, according to research from CB Insights. Owners have to spend money to make money during a growth period, but this concept can quickly get out of control and leave in a precarious position. A company manage its cash carefully during these times. Turn to its channels that produce consistent sales and work to maximize their contributions to its bottom line. Negotiate favorable payment terms with partners and vendors too.

2. Responding to Competition

A funny thing happens when a company is successful. Others recognize the opportunity and enter the industry. Many small business owners are unprepared for the realities of fierce competition. They quickly lose their way in an attempt to respond.

Keep its focus on what you do best and continue to communicate its unique value proposition to prospects and customers.

3. Nurturing a Great Company Culture

A company culture is affected by everyone involved with its organization. As a company grows and more people come into that company's orbit, it becomes more difficult to exert control over its culture. It runs the risk of having it derailed.

A company values guide all of its decisions and hire great people who will embrace their role as champions of the organizational culture. With allies on its side at all levels of the business your culture will be allowed to grow and flourish.

4. Learning when to Delegate and when to get Involved

Entrepreneurs need to get personally involved in specific decisions, such as big-picture strategic planning and hiring for key positions. It is important to delegate and trust the managers of a company will make the best decision for their team and the company. Every business owner must learn to get a feel for these situations and step in when needed without burdening their leadership team.

5. Keeping up with Market Changes

A company operates in a sector that experiences frequent upheaval, it has to be prepared for constant change. Disruption is the new normal and proud training to employees to be agile in the face of uncertainty.

6. Deciding when to Abandon a Strategy

Sometimes marketing channels that seemed full of potential do not pan out and new product lines do not catch on as anticipated. Failures are an important part of business growth and owners must train themselves to recognize where they occur, divert resources accordingly and learn from those mistakes.

11.10 Valuation Concerns

Accurate business valuation forms the foundation of good funding and creditability. Various approaches and methods are used to determine the value of its business. Generally, valuation of listed companies is easier as compared to unlisted business as the former has a quoted share price. For practical purposes, it is always advisable to get a business valued from a Chartered Accountant who has been into practice for more than 10 years.

Notes

The value of business can be approached using three different values

1. Going Concern Value: This value concentrates on the earning potential of business entity. It assumes that the business is a perpetual entity which is separate from that of its promoters and will not be affected by such external events.

2. Liquidation Value: This value represents the amount received on selling off all the assets and settling liabilities. Some important assets which should be calculated appropriately are intangible assets such as goodwill, brand value, etc. This method helps set a benchmark below which the business should not be valued, as the same will not yield any gain for shareholders.

3. Market Value: This relates to listed companies. It is the price at which the company is trading at a recognized stock exchange. An important thing to understand under this approach is that the 'price' of security trading on stock exchange cannot give the full picture of its fundamentals and their potential. This price generally represents more of markets sentiment and not actual state of a business. Elaborating on the aforesaid approaches, three different methods to business valuation are enumerated below. Either or a combination of the following methods are followed based on the purpose or objective of valuation - sale or purchase of business, merger, acquisitions, IPO, funding, financial reporting etc.

11.1 Short Answer Questions

1. What is market penetration?
2. Give a note on ‘The Right Growth Strategy for Business’.
3. What do you understand by the term ‘product expansion’.
4. State any four factors affecting entrepreneurship.
5. Who is imitating entrepreneurs?

11.2 Long Answer Questions

1. Explain the need for strategy planning.
2. According to Igor Ansoff, Explain the four main strategies of business which can be applied to achieve the sustainable business growth.
3. Discuss the characteristics of entrepreneurship on the basis of unique managerical activities.
4. Describe the managerical concerns of growing enterprise.
5. What do you understand by the term ‘valuation concerns’? Explain its three value approaches used in a business firm.

11.3 Answer to check your Progress

1. A small scale company can expand its line of products or add new features to increase sales and profits. When small companies use a product expansion technique, it is referred as product development.

The selling continues within the current market. A product expansion growth strategy basically works well when there is a change in technology. Companies may be compelled to add new products as older ones become outdated.

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2. Scouting– This is the preliminary stage of a company. At this stage, business development deals with identification of various entry points to market. Various leverage points are identified and the concerned internal team is provided with feedback of market analysis. The key skills involved is collaborative work with the product and engineering teams.
   - Testing-At this stage, the business developer will close a few open deals to test the assumptions made from the market and input various findings. Analytical skill uses for setting up a measurement framework. The framework will depend on the company's mission, strengths and vision.
   - Scaling– After the data is gathered from each and every deal, a path is laid down for goal fulfillment. An entire support system for future activities is created.

3. Economic and dynamic activity
   Related to Innovation
   Profit Potential
   Risk Bearing

4. **1. Cash Flow Management**

Cash flow problems are the second most common reason why small businesses go bust, according to research from CB Insights. Owners have to spend money to make money during a growth period, but this concept can quickly get out of control and leave in a precarious position. A company manage its cash carefully during these times.

2. **Responding to Competition**

A funny thing happens when a company is successful. Others recognize the opportunity and enter the industry.

3. **Nurturing a Great Company Culture**

A company culture is affected by everyone involved with its organization. As a company grows and more people come into that company's orbit, it becomes more difficult to exert control over its culture. It runs the risk of having it derailed.

UNIT - 12
FINANCIAL ANALYSIS

Notes

Structure

Notes

12.1 Introduction

Financial analysis involves using financial data to assess a company's performance and make recommendations. Financial Analysts primarily carry out their work in Excel, using a spreadsheet to analyze historical data and make projections about the company that will perform in the future..

12.2 Types of Financial Analysis

The most common types of financial analysis are:

- Vertical
- Horizontal
- Leverage
- Growth
- Profitability
- Liquidity
- Efficiency
- Cash Flow
- Rates of Return
- Valuation
- Scenario & Sensitivity
- Variance

12.3 Five Key Elements of a Financial Analysis

Financial analysis has the following key elements.

1. Revenues

Revenues are the main source of a business. The quantity, quality and timing of revenues can determine long-term success.

- Revenue growth (revenue this period - revenue last period) ÷ revenue last period. When calculating revenue growth, do not include one-time revenues, which can distort the analysis.
- Revenue concentration (revenue from client ÷ total revenue). If a single customer generates a high percentage of revenues, a company could face financial difficulty if that customer stops buying. No client should represent more than 10 percent of a company's total revenues.
- Revenue per employee (revenue ÷ average number of employees). This ratio measures a business's productivity. The higher the ratio, the better. Many highly successful companies achieve over $1 million in annual revenue per employee.

2. Profits

If a company can not produce quality profits consistently, its business may not survive in the long run.

- Gross profit margin (revenues – cost of goods sold) ÷ revenues. A healthy gross profit margin allows you to absorb shocks to revenues or cost of goods sold without losing the ability to pay for ongoing expenses.
- Operating profit margin (revenues – cost of goods sold – operating expenses) ÷ revenues. Operating expenses don't include interest or taxes. This determines a company's ability to make a profit regardless of finance operations (debt or equity). The higher, the better.

- Net profit margin (revenues – cost of goods sold – operating expenses – all other expenses) ÷ revenues. Net profit margin is what remains for reinvestment into a business and for distribution to owners in the form of dividends.

3. Operational Efficiency

Operational efficiency measures how well a company use its resources. A lack of operational efficiency leads to smaller profits and weaker growth.

- Accounts receivables turnover (net credit sales ÷ average accounts receivable). This measures how efficiently a company manages the credit which is extend to customers. A higher number means a company is managing credit well; a lower number is a warning sign. A company should improve to collect from customers.
- Inventory turnover (cost of goods sold ÷ average inventory). A Company measures its efficient use at inventory. A higher number is a good sign; a lower number means either very low selling or producing too much for its current level of sales.

4. Capital Efficiency and Solvency

Capital efficiency and solvency are the interest to lenders and investors.

- Return on equity (net income ÷ shareholder’s equity). This represents the return investors are generating from a business.
- Debt to equity (debt ÷ equity). The definitions of debt and equity can vary, but generally this indicates how much leverage a company uses to operate. Leverage should not exceed its reasonable for business.

5. Liquidity

Liquidity analysis addresses the ability to generate sufficient cash to cover cash expenses. No amount of revenue growth or profits can compensate for poor liquidity.

- Current ratio (current assets ÷ current liabilities). This measures the ability to pay off short-term obligations from cash and other current assets. A value less than 1 means a company does not have sufficient liquid resources to do this. A ratio above 2 is best.
- Interest coverage (earnings before interest and taxes ÷ interest expense). This measures the ability to pay interest expense from the cash to generate. A value less than 1.5 is cause for concern to lenders.

12.4 Ratio Analysis

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by comparing information contained in its financial statements. Ratio analysis is a cornerstone of Fundamental Analysis.

Analysts use several types of ratios to assess companies, while corporate insiders rely on them less because of their access to more detailed operational data about a company.

12.4.1 Financial Ratio Analysis

- **Shortcut:** Ratios provide a sort of heuristic or thumb rule that investors can apply to understand the true financial position of a company. There are recommended values that specific ratios must fall within. Whereas in other cases, the values for comparison are derived from other companies or the same companies own previous records. However, instead of undertaking a complete tedious

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analysis, financial ratios helps investors shortlist companies that meet their criteria.

- **Sneak-Peek:** Investors have limited data to make their decisions with. They do not know what the state of affairs of the company truly is. The financial statements provide the internal operations of the company. Financial ratios make financial analysis simpler. They also help investors to compare the relationships between various income statement and balance sheet items, providing them with a sneak peek of what truly is happening behind the scenes in the company.
- **Connecting the Dots:** Over the years investors have realized that financial ratios have incredible power in revealing the true state of affairs of a company. Analyses like the DuPont Analysis have brought to the forefront the inter-relationship between ratios and how they help a company become more profitable.

12.4.2 Types of Financial Ratios

Financial ratios consists of five basic types. They are as follows :

- Profitability ratios measure the firm's use of its assets and control of its expenses to generate an acceptable rate of return.
- Liquidity ratios measure the availability of cash to pay debt.
- Activity ratios, is called efficiency ratios, which measure the effectiveness of a firm's use of resources, or assets.
- Debt or leverage, ratios measure the firm's ability to repay long-term debt.
- Market ratios are concerned with shareholder audiences. They measure the cost of issuing stock and the relationship between return and the value of an investment in company's shares.

12.4.3 Financial Ratio Analysis and the Entrepreneur

Lenders, and often investors, will calculate one or more financial ratios when reviewing an entrepreneur's financial statements to gain a quick understanding of the health of the business before determining whether to lend or invest. Within an industry, there will be "good" and "bad" benchmarks against which the venture will be measured (Rogers, 2014). Investors and lenders will consider the particulars of a business and likely weight the importance of the ratios differently when comparing to the industry benchmarks.

The entrepreneur, investor, and lender can gain useful information and financial trends on a business venture when using Financial Ratio Analysis. For example, a company can compare its ratios to those average ratios of their industries, but the best and most accurate comparisons come from using benchmark companies—high performing companies within their industry. Comparisons against these companies can create and encourage stretch goals for a business.

Ratio analysis can have value for entrepreneurs but depending on where the venture when it is seeking funds, these ratios may or may not be helpful in securing financing.

Entrepreneurs seeking early-stage financing are more likely to encounter investors who find out continual improvements in customer acquisition costs, improvements in customer engagement at the various points of contact, and repeat purchase or purchase frequency. These measures help the investor gauge the interest in the offered products and services and are often a good predictor of long-term revenue.

Entrepreneurs are often motivated to launch a business due to their interest and expertise in a specific domain area. Many entrepreneurs may be less skilled when it comes to the business finances beyond the basics of revenue and expenses. As an entrepreneur's business grows, understanding key aspects of finance becomes increasingly more important, particularly he seeks outside investment or financing. It is important to understand the basics of Financial Ratio Analysis and how it can be used to determine the health of a business before seeking investment or financing.

12.5 Investment Process

A small, experienced investment team manage an efficient, professional investment process.

A company must review the key investment criteria and to get acquainted with it approach and activities.

A company must approach not only diligence and documentation in a thorough, but also cost-effective and efficient manner. As part of the investment process, we receive support and feedback from our Investment Committee.

Once an investment has been finalized, a company must build a close relationship with the investee company and will appoint a non-executive director and/or an observer to the Board. Investee companies will be expected to provide monthly financial and commercial updates, and to implement a formal board structure if one is not already in place.

With external insight, advice and guidance, supportive of a talented and ambitious management team. A company can attain successful outcomes for the next generation of growth businesses.

The steps involved in the entrepreneurial process are

1. Genesis of a Business Idea
2. Conduct Preliminary Feasibility
3. Detailed Feasibility Analysis
4. Selection of the Most Promising Idea
5. Write a Business Plan
6. Launch the Venture
7. Social Feasibility
8. Arrange Finances
9. Take Necessary Clearances
10. Construct Building
11. Get the Utility Connections
12. Recruit Employees
13. Procure and Install Machines
14. Procure Raw Materials
15. File Entrepreneur's Memorandum

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16. Start Operations
17. Managing the Company
18. Harvesting.

12.5.1 Investment Criteria

1. **Management:** Individuals and teams are willing and able to work with investors over the life of the investment. Teams should be committed to the business for the long term and be suitably rewarded for commercial success.
2. **Market & Competition:** Management should have a credible plan to win market share. It is important to clearly articulate the nature of the competition, dynamics of the market and key differentiators of your business.
3. **Product or Service:** Products and services offer incremental improvement to the status quo, or elements of disruption. For the further development of existing technologies, or development of new ones, companies should provide a clear roadmap how the technology will be rolled out commercially.
4. **Customers:** Products or services should have an identifiable and addressable market, supported by clear evidence. It is solving unmet customer demands or needs.
5. **Financial:** A Company requires some financial traction to progress investment discussions. Businesses will typically be generating in excess of £100,000 in annual revenue, or an equivalent, sustainable run-rate. It is very common for early-stage of businesses to fall short of their revenue targets. Management remains ambitious, plans and prepares for this and understands the financial effects on the business of such shortfall.
6. **Funding Requirements:** Entrepreneur will generally invest in companies with the intention that current funding round will provide 12 - 18 months cash runway. A company should not typically require significant, multiple, further rounds of funding to become self-funding or to achieve some form of liquidity event.
7. **Valuation:** As a Fund, A entrepreneur will seek a commercial return on investment, which in turn requires that initial valuations and expectations of valuation growth reflect that in a fair manner.
8. **Use of Funds:** Companies should clearly outline the use of funds raised. Whilst the Cass Entrepreneurship Fund is open to funding a range of plans, in general these relate to accelerating on boarding of key hires, expanding sales and marketing resource and contributing to further product, service or general business development.
9. **Liquidity Events:** Although An entrepreneur is a long-term partner and a patient investor, the Fund has a commercial remit and seeks a target investment return. Accordingly, business plans should be clear about key commercial or financial milestones required for the company to achieve meaningful growth in value to likely buyers or secondary financiers.

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12.6 Break-Even Analysis?

A break-even analysis is a financial tool which helps to determine the stage of a company, or a new service or a product, will be profitable. Break-even is a situation where an entrepreneur is neither making money nor losing money, but all the costs have been covered. Break-even analysis is useful in studying the relation between the variable cost, fixed cost and revenue. Generally, a company with low fixed costs will have a low break-even point of sale.

12.6.1 Break Even Analysis Entrepreneurial Development

Many entrepreneurs make the mistake of bringing a product or service to the market without fully understanding the total costs involved and the prices they can charge. As a result, they can not sell enough of the product or service to make a profit. One of the most important tools a firm can use to make better business decisions is the break-even analysis; it enables to determine with great accuracy whether or not your idea is a profitable one.

Break-even analysis is a technique widely used by production management and management accountants. It is based on categorising production costs between those which are "variable" (costs that change when the production output changes) and those are "fixed" (costs not directly related to the volume of production).Total variable and fixed costs are compared with sales revenue in order to determine the **level of sales volume, sales value or production at which the business makes neither a profit nor a loss (the "break-even point").**

12.6.2 Three Assumptions of the Break-Even Analysis

The break-even analysis depends on three key assumptions

1. **Average per-Unit Sales Price (Per-Unit Revenue)**

This is the price that a firm receives per unit of sales. The analysis requires a single number, if a company find out its sales forecast first, then It will have per unit revenue number. The majority of businesses sell more than one item, and have to average for their break-even analysis.

2. **Average per-Unit Cost**

This is the incremental cost, or variable cost, of each unit of sales. If firms are using a units-based sales forecast table (for manufacturing and mixed business types), Any can project unit costs from the sales forecast table. If firms are using the basic sales forecast table for retail, service and distribution businesses, use a percentage estimate, e.g., a retail store running a 50 percent margin would have a per-unit cost of .5, and a per-unit revenue of 1.

3. **Monthly Fixed Costs**

Technically, a break-even analysis defines fixed costs as costs that would continue even if a firm went broke. Instead, A firm can use its regular running fixed costs, including payroll and normal expenses (total monthly operating expenses). This will give a better insight on financial realities. If averaging and estimating is difficult, use its profit and loss table to calculate a working fixed cost estimate—it will be a rough estimate, but it will provide a useful input for a conservative break-even analysis.

12.6.3 The Break-Even Chart

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The break-even chart is a graphical representation of costs at various levels of activity shown on the same chart as the variation of income (or sales, revenue) with the same variation in activity. The point at which neither profit nor loss is made is known as the "break-even point" and is represented on the chart below by the intersection of the two lines.

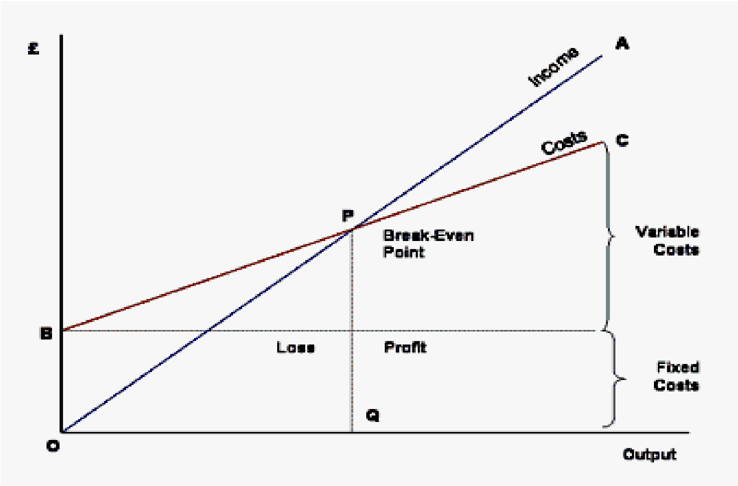

Figure: 1
The Break-Even Chart

In the diagram above, the line OA represents the variation of income at varying levels of production activity ("output"). OB represents the total fixed costs in the business. As output increases, variable costs are incurred. Due to increase in variable cost, total costs (fixed + variable) also increase. At low levels of output, Costs are greater than Income. At the point of intersection, P, costs are exactly equal to income, and hence neither profit nor loss is made.

Fixed Costs

Fixed costs are those business costs that are not directly related to the level of production or output. In other words, even if the business has a zero output or high output, the level of fixed costs will remain the same. In the long run fixed costs can alter - perhaps as a result of investment in production capacity (e.g. adding a new factory unit) or through the growth in overheads required to support a larger, more complex business.

Example of Fixed Cost

- Rent and rates
- Depreciation
- Research and Development
- Marketing Cost (Non- Revenue Related)
- Administration Cost

Variable Costs

Variable costs are those costs which vary directly with the level of output. They represent payment output-related inputs such as raw materials, direct labour, fuel and revenue-related costs such as commission.

A distinction is often made between **"Direct"** variable costs and **"Indirect"** variable costs.

Direct variable costs are those which can be directly involved in the production of a particular product or service and allocated to a particular cost centre. Raw materials and the wages are good examples.

Indirect variable costs cannot be directly involved in production but they do vary with output. These include depreciation (where it is calculated related to output - e.g. machine hours), maintenance and certain labour costs.

Break-Even Analysis Formula

Break-Even Point = Fixed Costs / (Average Price — Variable Costs)

12.6.4 Ways to Monitor Break- Even Point

- **Pricing Analysis:** Minimize or eliminate the use of coupons or other price reductions offers, since such promotional strategies increase the breakeven point.
- **Technology Analysis:** Implementing any technology that can enhance the business efficiency, thus increasing capacity with no extra cost.
- **Cost Analysis:** Reviewing all fixed costs constantly to verify if any can be eliminated can surely help. Also, review the total variable costs to see if they can be eliminated. This analysis will increase the margin and reduce the breakeven point.
- **Margin Analysis:** Push sales of the highest-margin (high contribution earning) items and pay close attention to product margins, thus reducing the breakeven point.
- **Outsourcing:** If an activity consists of a fixed cost, try to outsource such activity (whenever possible), which reduces the breakeven point.

12.6.5 Benefits of Break-Even Analysis

- **Catch Missing Expenses:** It is possible to forget about few expenses for a new business. If a firm uses a break-even analysis it has to review all its financial commitments to figure out break-even point. This analysis certainly restricts the number of surprises down the road.
- **Set Revenue Targets:** Once the break-even analysis is complete, a firm will get to know about its sales to be profitable. This will help for sales team to set more concrete sales goals.
- **Make Smarter Decisions:** Entrepreneurs often take decisions in relation to their business based on emotion. In order to be a successful entrepreneur, his decisions should be based on facts.
- **Fund to Business:** This analysis is a key component in any business plan. It is generally a requirement if an entrepreneur want outsiders to fund to his business. In order to fund his business, he has to prove that his plan is viable. Furthermore, if the analysis looks good, he will be comfortable to take the burden of various ways of financing.
- **Better Pricing:** Finding the break-even point will help in pricing the products better. This tool is highly used for providing the best price

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of a product that can fetch maximum profit without increasing the existing price.

- **Cover Fixed Costs:** Doing a break-even analysis helps in covering all fixed cost.

12.6.6 Five Steps to Creating a Break-Even Analysis

There are five steps to take to determine break-even:

1. **Determine Variable Unit Costs:** Determine the variable costs of producing one unit of this product. Variable costs are those costs associated with making the product or buying it wholesale. If a firm is making a product, it will need to know the cost of all the components that go into that product. For example, if you are printing books, the variable unit costs are paper, binding, and glue for one book, and the cost to put one book together.
2. **Determine Fixed Costs:** Fixed costs are costs to keep business operating, even if a firm did not produce any products. To determine fixed costs, add up the cost of running a factory for one month. These costs would include rent or mortgage, utilities, insurance, salaries of non-production employees, and all other costs.
3. **Determine Unit Selling Price:** Determine the unit selling price for a product. This price may change according to the break-even point is.
4. **Determine Sales Volume and Unit Price:** The break-even point will change as the sales volume for this product and the unit price changes.
5. **Create a Spreadsheet:** To do a break-even calculation, entrepreneurs will construct or use a spreadsheet then turn the spreadsheet into a graph. The spreadsheet will plot break-even for each level of sales and product price, and it will create a graph showing you break-even for each of these prices and sales volumes.

12.7 Check your progress:

Check your progress:

1. Write a short note an Liquidating in financial analysis?

2. List out the steps in creating a break –Even Analysis?

3. Mention the benefits of cost benefit analysis?

12.8 Profitability Analysis

Profitability analysis is a component of Enterprise Resource Planning (ERP) that allows administrators to forecast the profitability of a proposal or optimize the profitability of an existing project. Profitability analysis can anticipate sales and profit potential specific to aspects of the market such as customer age groups, geographic regions, or product types.

Definition:

Profitability Analysis measures the amount of profit earned due to the efficiency of any operation in a business. Profitability Analysis in operations essentially includes evaluation of market segments or Strategic business units. Profitability analysis mainly helps in analysing this available information to evaluate and improve the profits in an organization. These help in decision making and internal accounting in the fields of sales, marketing and product management for a company.

Market segments are classified into products, orders or the receivers (customers) or into a combination of any of these.

Cost-based Profitability Analysis is the form of profitability analysis that groups of costs and revenues according to the available values and costing-based valuation approaches are followed for the analysis. This method essentially plots the revenues against the expenses for given items. Hence this method essentially gives a short term profitability report for the company to analyse the profitability of their values.

Account-based profitability analysis is a form of profitability analysis in which an account-based valuation approach is followed. This accounting method plots the revenues against expenses that have been incurred during a certain given period of time. In this process, the changes in stock values, goods, ongoing work and capitalized activities are taken into consideration for the given time period. Hence, this gives a long term profitability report which can be used with financial accounting. The cost and revenue elements involved in a broader analysis of the elements of profits. Accounting methods include Cost-of-Sales Method and Period Accounting Method.

Profitability analysis mainly has a focus on three criteria

(i)Customer profitability analysis (CPA) –

(ii) Customer product profitability analysis –.

(iii) Increasing company profitability –

(iv) Implementing TQM –

1. Customer Profitability Analysis

The customer profitability analysis is bases on activity based costing and helps in calculating the revenue coming from customers while at the same time removing all costs from it thereby calculating the actual profitability per customer.

2. Customer Product Profitability Analysis

Firms like HUL and P&G have a wide variety of product portfolio. To calculate this, profitability analysis can be used. This profitability analysis method can be used to find out both – profitable customer as well as profitable products.

3. Increasing Company Profitability

Companies don not need to produce products with high value itself, but also products which are competitive in the market because of their pricing. According to Michael porter – Cost leadership is one of the leading sustainable competitive advantages a firm can have. Thus a company has to take care of its cost which will subsequently bring its profitability. Developing on customer advantages will result in increasing the overall company profitability.

4. Total Quality Management (TQM)

Profitability of the firm also depends on its ability to continuously improve its products and processes. TQM involves everyone and the

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concept believes that with involvement of the top management, the workforce, suppliers and even customers, the overall output of the firm can be increased and thus the firm will always meet customers expectations thereby thoroughly satisfying them and therefore increasing the overall profitability of the firm.

Thus profitability analysis leads to the firm discovering the areas where it is profitable. It can help the firm to decide where it can lower the cost and where it can increase value.

12.9 Profitability Ratios

Small business owners can use profitability ratios. They monitor the following regularly.

- Gross Profit Margin Ratio.
- Operating Profit Margin Ratio.
- Net Profit Margin Ratio.
- Other Common Size Ratios

The three measurements of profits such as gross profit, operating profit and net profit.

Gross profit = Net sales minus the costs of goods sold.

Operating profit = Gross profit minus selling and administrative expenses

(Administrative expenses = salaries, payroll taxes, benefits, rent, utilities, office supplies, insurance, depreciation, etc.) Operating profit includes all expenses EXCEPT income taxes.

Net Profit = Operating profit (plus any other income) minus any additional expenses and minus taxes.

12.10 Social Cost

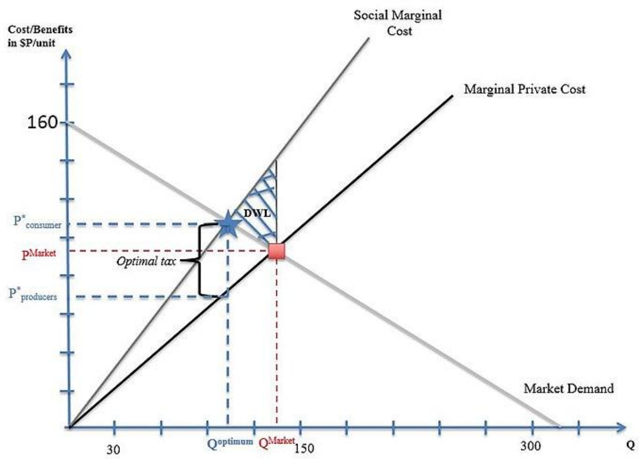
Definition: The **Social Cost** is the cost related to the working of the firm but is not explicitly borne by the firm. It is the cost to the society due to the production of a commodity. The social cost is used in the **social cost-benefit analysis** of the overall impact of the operations of the business on the society as a whole and do not normally figure in the business decisions.

The social cost includes both the private cost and the external cost. The external costs are those costs which are directly related to the production and consumption of the commodity but is not directly paid by the producer. These are the costs borne by the society and therefore is called as the social cost.Usually, the factories and mills located within the city cause pollution, both air, and water. For example, Mathura Oil Refinery discharging its wastes into river Yamuna is contaminating the water thereby causing the water pollution.

Thus, the social costs include

- The cost of natural resources for which the firms are not required to pay, for example, river, lake, atmosphere, etc.
- The use of public utility services such as roadways, drainage systems, etc.
- The cost of ‘disutility’ created through pollution (air, water, noise, environment).

It is assumed that the disutility created through pollution is equal to the total private and public expenditure incurred by the firm to safeguard the public from the health hazards and social tension created by the production process.



This example can be better elucidated with the help of a diagram. Profit-maximizing organizations in a free market will set output at Q market where marginal private costs (MPC) is equal to marginal benefit (MB). Intuitively, this is the point on the diagram where the private supply curve (MPC) and consumer demand curve (MB) intersect i.e. where consumer demand meets firm supply. This results in a competitive market equilibrium price of P Market

In the presence of a negative production externality, the private marginal cost increases i.e. shifted upwards to the left by marginal damages to yield the marginal social curve. The point where the new supply curve (inclusive of marginal damages to society) and the consumer demand intersect, represents the socially optimum quantity Q optimum and price. At this social optimum, the price paid by the consumer is p consumer and the price received by the producers is produre. High positive social costs, in the form of marginal damages, lead to an over-production. In the diagram, there is overproduction at Q market – Q optimum with an associated deadweight loss of the shaded triangle. One of the public sector remedies for internalizing externalities is a corrective tax. According to neoclassical economist Arthur Pigou, to correct this market failure (or externality) the government should levy a tax which equals to marginal damages per unit. This would effectively increase the firm's private marginal so that SMC = PMC.

In an alternative scenario, positive production externality occurs when the social costs of production are lower than the marginal private costs of production. For example, the social benefit of research and development not only applies to the profits made by the firm but also helps to improve the health of society through better quality of life, lower healthcare costs, etc. In this case, the marginal social cost curve would shift downwards and there would be underproduction. In this case, government intervention would result in a Pigouvian subsidy in order to decrease the firm's private marginal cost so that MPC = SMC.

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Importance of Social Cost Benefit Analysis to Business

A Social cost benefit analysis, is also known as economic analysis. It is a decision-making strategy which helps in assessing the impact of investment business projects on the society as a complete. It is an organized and cohesive mechanism to contemplate the impact of development projects on society. The objective of analyzing the social cost benefit is to weight the heterogeneous impact of the development project on societal elements such as pollution, real estate, legal prospects, health, environment etc. As a result of the analysis, the project decision maker can precisely elucidate the social welfare impact of the project.

The impact of social cost-benefit analysis can be positive or negative. The positive impact is called as a social benefit and the negative impact is termed as a social cost. SCBA is different from CBA.

- **SCBA:** social cost benefit analysis
- **CBA:** cost benefit analysis

12.10.1 Benefits of Social Cost-Benefit Analysis

- SCBA helps in identify mechanisms that can maximize the benefit of the development project for the social welfare
- It entitles the investors to cohesively differentiate various project alternatives
- The SCB analysis enables prioritization of a business resources so that maximum profit can be achieved
- Prior analysis helps in establishing decision-making strategy for different projects and also providing chance to apprehend social criticism
- SCBA assesses the purpose of the development project in view to the community needs

Drawbacks of Social Cost-Benefit Analysis

- It is often challenging for business managers to establish a balance between financial gain and social welfare
- Overstatement of the significance of social benefits
- Conversion of social benefits into monetary units is also a problem area in SCBA.

12.10.2 Outcomes of Social Cost-Benefit Analysis

The result of making social cost-benefit analysis is to it help the business managers to take policy decisions on the basis of the calculated risks involved if the project is executed. The scrutiny gives a lucid picture between cost and benefit distribution letting the managers take an informed decision. At the end of the SCB analysis, It can be concluded how the project will impact on the employment opportunities and standard of living of the society.Externalities(harmful or beneficial impact of the project) related to the project can be assessed after the social impact of the project that has been analyzed. The outcome of this analysis metric helps the government to take up projects which benefit the entire society and not just a few individuals which further improves the economy of the country.

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12.11 Cost-Benefit Analysis

A cost-benefit analysis is a process of businesses use to analyze decisions. The business sums the benefits of a situation or action and then subtracts the costs associated with taking that action. Some consultants or analysts also build models to assign a dollar value on intangible items, such as the benefits and costs associated with living in a certain town.

Understanding Cost-Benefit Analysis

Before building a new plant or taking on a new project, managers conduct a cost-benefit analysis to evaluate all the potential costs and revenues that a company might generate from the project. The outcome of the analysis will determine whether the project is financially feasible or if the company should pursue another project. Opportunity costs are alternative benefits that could have been realized when choosing one alternative over another. In other words, the opportunity cost is the forgone or missed opportunity as a result of a choice or decision. Factoring in opportunity costs allows project managers to weigh the benefits from alternative courses of action and not merely the current path or choice being considered in the cost-benefit analysis. By considering all options and the potential missed opportunities, the cost-benefit analysis is more thorough and allows for better decision-making.

The Cost-Benefit Analysis Process

A cost-benefit analysis (CBA) should begin with compiling a comprehensive list of all the costs and benefits associated with the project or decision.

The costs involved in a CBA might include the following

- Direct costs would be direct labour involved in manufacturing, inventory, raw materials, manufacturing expenses.
- Indirect costs might include electricity, overhead costs from management, rent, utilities.
- Intangible costs such as customer impact of pursuing a new business strategy, project, or construction of a manufacturing plant, delivery delays of product, employee impact.
- Opportunity costs such as alternative investments, or buying a plant versus building one.
- Cost of potential risks such as regulatory risks, competition, and environmental impacts.

Benefits of analysis

- Revenue and sales increase from increased production or new product.
- Intangible benefits, such as improved employee safety and morale, as well as customer satisfaction due to enhanced product offerings or faster delivery.
- Competitive advantage or market share gained as a result of the decision.

An analyst or project manager should apply a monetary measurement to all of the items on the cost-benefit list, taking special care not to underestimate costs or overestimate benefits. A conservative approach with

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a conscious effort to avoid any subjective tendencies when calculating estimates is best suited when assigning a value to both costs and benefits for a cost-benefit analysis.

Finally, the results of the aggregate costs and benefits should be compared quantitatively to determine if the benefits outweigh the costs. The rational decision is to go forward with the project. If not, the business should review the project to see if it can make adjustments to either increase benefits or decrease costs to make the project viable. Otherwise, the company should likely avoid the project.

Limitations of Analysis

Projects involve small- to mid-level capital expenditures. Projects are short to intermediate in terms of time to completion, an in-depth cost-benefit analysis may be sufficient enough to make a well-informed, rational decision. For very large projects with a long-term time horizon, a cost-benefit analysis might fail to account for important financial concerns such as inflation, interest rates, varying cash flows, and the present value of money.

Alternative capital budgeting analysis methods, includes net present value that could be more appropriate for the situations. The concept of present value states that an amount of money or cash in the present day is the worth more than receiving the amount in the future since today's money could be invested and earn income.

One of the benefits of using net present value for deciding on a project is to use an alternative rate of return that could be earned if the project had never been done. That return is discounted from the results. In other words, the project needs to earn at least more than the rate of return that could be earned elsewhere or the discount rate.

However, with any type of model used in performing a cost-benefit analysis, there are a significant amount of forecasts built into the models. The forecasts used in any CBA might include future revenue or sales, alternative rates of return, expected costs, and expected future cash flows.

Benefits of Entrepreneurship

Entrepreneurship is a very important form of business organization. Entrepreneurs are often considered the building blocks of an economy. They take risks to fulfil customer needs and expectations. And so entrepreneurship is beneficial in many ways to the entrepreneur, the organization and the economy as a whole.

1. The Growth of Managerial Abilities

One of the biggest and most significant benefits of entrepreneurship is that it helps in the identification and development of managerial talent. A successful entrepreneur has to learn a lot of skills to run his business. The most important skill is the art of decision making. So an entrepreneur weighs his options, analysis his choices and chooses the best alternative. This is the crux of decision making. Along the way, an entrepreneur may even learn new managerial functions and techniques. This really helps in the overall development of managerial capabilities in an economy.

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2. Creation of Businesses/Organization

Entrepreneurship is essentially a business owned entirely by one person. And the majority of these businesses are actually single handly run by the entrepreneurs themselves. So they assemble and coordinate their factors of production. They create their organizations from the ground up. They even learn some managerial skills along the way.

3. Promotes Better Standard of Living

The important factor of entrepreneurship is that they help to fulfil all the customer needs and luxuries in society. An entrepreneur will launch products and services to meet customer requirements, even if it is not a mainstream good service. Even niche requirements are fulfilled by entrepreneurs. So this results in a better standard of living for the members of the public.

4. Economic Development

Entrepreneurs play a very important role in the development of national economy of any country. They not only invest their own capital but also attract capital from the market. Entrepreneurs make productive use of these savings, they mobilize them and turn them into a productive resource. This pooled financial resource or capital is the basis of wealth creation in the economy. The another benefits of entrepreneurship is that they create jobs in the market. This contributes majorly to the economic development of a country.

12.12 Planning and Budgeting Process

Planning and Budgeting is an analytical application that helps to set top-down targets and generate a bottom-up budget, which is at the foundation of an organization's operations. It helps management evaluate business alternatives and set financial targets, and it enables the organization to work cooperatively and efficiently through the budgeting iterative process—reevaluating expenses and revenue estimates; changing start and end dates; and modifying objectives.

Planning and Budgeting enables different departments to use compatible tools based on the same assumptions. By delivering a shared business model with role-based access over the internet, every participant can interact with his or her portion of the business plan or budget at any time, from any global location. An entrepreneur can respond quickly and efficiently to the changing business environment. Through what-if analysis and modeling, an entrepreneur can simulate headcount changes, expense control strategies, and capital investment plans before implementation. Marketing volatility and other deviations from the original plan can be handled proactively, in real time, rather than once a year.

The use Planning and Budgeting to

- Develop planning targets.
- Access and analyze historical and current data.
- Connect strategic objectives with daily processes.
- Link top-down targets with bottom-up budgets.
- Integrate and update financial statements as business conditions change.
- Conduct continuous forecasting.
- Perform real-time, multidimensional modeling of planning and budgeting data.

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Planning and Budgeting stores data in relational database tables. Afirm can extract, view, analyze, and modify this data and then move it back into the original tables. Understanding the concepts behind this process—and the tools that help to manipulate the data—helps to perform the role in the planning and budgeting process in an organization.

12.12.1 Objectives of Budget and Planning Process

The objectives of the business plan are the first to develop and communicate a plan of action that will achieve the company's strategic objective. Then to provide a means of monitoring progress towards that objective and of stimulating alternative action if the objective is unlikely to be met by the original plan. These cannot be achieved unless the plan defines the strategic objective and includes benchmarks or performance measures at key stages during the year.

The plan should include reviews of internal resources and the external environment, and define measures of quality and customer satisfaction.

The plan is likely to focus on

- revenue - income, direct costs and overheads
- capital - expenditure, depreciation

Financial measures will include return on investment and margin. Targets for growth may well include turnover - but in this case margin must also be monitored.

12.12.2 The Planning Process

The planning process is a valuable and exciting exercise that can be a major contributor to team building and a means of developing ownership/commitment to the plan.

There are various exercises that can be helpful in the planning process:

- Analysis of current year financial results
- SWOT analysis - strengths, weaknesses, opportunities and threats
- PESTLE analysis - political, economic, social and technological, with legislative/regulatory and environmental
- Balanced scorecard - analysis of the impact of achieving objectives from a financial perspective, a customer perspective and an internal perspective, and on innovation and learning, together with identification of critical success factors and performance measures.
- Brainstorming - for alternative scenarios, opportunities, strategies

If the company provides different services in different niche markets. These exercises should be checked for each.

For a business plan/budget exercise and focus on: -

- Review of current year as a basis for making decisions about the future
- Objectives and strategy
- Action plan and benchmarks
- Resources needed
- Results anticipated

12.12.3 Ten Steps to Planning Process a Budget

Every organization needs a budget. Developing and managing a budget is the success the businesses allocate, track and plan fiscal spending. A formal budgeting process is the foundation for good business management, growth and development. Very similar to our personal finances, discipline and planning should be the cornerstone of a business budgeting process. Budgeting needs to be driven by the vision (what we are trying to accomplish) and the strategic plan (the steps to get there).Organizations stay focused on their strategy and plan know exactly where they want to spend their resources and have a plan to help keep them from spending money in areas that do not line up with the vision (what we are trying to do) and mission (why we are doing it).

1. Strategic Plan

Every organization, no matter the size should know why it exists and what it hopes to accomplish. This is articulated through a written Vision and Mission Statement. A Strategic Plan is the **HOW** the organization plans to achieve its mission. The first step in the budgeting process is having a written strategic plan. This ensures that organizational resources are used to support the strategy and development of the organization. It means budgeting toward the vision.

2. Business Goals

Annual business goals are set by an organization that implements its strategic plan. Goals need to be developed which are accountability for achieving goals. This is typically the responsibility of the management team, board or business owner. The budget provides the financial resources to achieve goals. For example, if an organization has outgrown its facility and there is an objective to increase space, there needs to be dollars budgeted to expand or move the business operations.

3. Revenue Projections

Revenue projections should be based on historical financial performance, as well as projected growth income. The projected growth may be tied to organizational goals and planned initiatives that will initiate business growth. For example, if there is a goal to increase sales by 10%, those sales projections should be part of the revenue projections for the year.

4. Fixed Cost Projections

Projecting fixed costs is the monthly predictable costs that do not change. Example are Employee compensation costs, facility expenses, utility costs, mortgage or rent payments, insurance costs, etc. Fixed costs do not change and are a minimum expense that need to be funded in the budget. For example, if there are open staff positions, the cost to fill those positions should be part of fixed cost projections.

5. Variable Cost Projections

Variable costs are costs that fluctuate from month to month, supply costs, overtime costs, etc. These expenses are to be budgeted and controlled. For example, if higher Christmas sales drive overtime costs temporarily, those costs should be budgeted.

6. Annual Goal Expenses

Goal related projects should also be given budgets. Each initiative should have projected costs associated with the goals. This is where the cost of implementing goals are incorporated into the annual budget. Projections of costs should be identified, laid out and incorporated into the departmental budget that is responsible for completing the goal. For example, if the sales department has a goal of increasing sales by 10%,

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costs associated with the increased sales (additional marketing materials, travel, entertainment) should be incorporated into that budget.

7. Target Profit Margin

Every organization should have a targeted profit margin. Profit margins allow for returns for the business owner or investors. Non profit organizations use their profit margins to reinvest into the facilities and development of the organization. Profits are important for all organizations and healthy profit margins are a strong indicator of the strength of an organization.

8. Board Approval

The governing board, president, owner or head of the organization should approve the budget and keep all the updated information with budget performance. The owner should be reviewing monthly financial statements for the following reasons.

- To monitor budget performance.
- To be familiar with all expenditures.
- To safeguard the organization against misappropriation of funds or employee fraud.

9. Budget Review

A budget review committee should meet on a monthly basis to monitor performance against goals. This committee should review budget variances and assess issues associated with budget overages.It is important to do this on a monthly basis. There can be a correction to overspending or modification to the budget if needed. Waiting until the end of the year to make corrections could have a negative affect on the final budget outcome.

10. Dealing with Budget Variances

Budget variances should be reviewed with the responsible department manager and questions should be raised as to what caused the variance. Sometimes unforeseen situations arise that cannot be avoided so it is also important (like personal budget) to have an emergency fund to help with those unplanned expenditures. For example, if the HVAC system suddenly goes down, and needs to be replaced, this would be a budget variance that needs to be funded. Good budgeting processes can help to develop and advance an organization, while careless budgeting and monitoring of budgets can blindside an organization and affect its long-term financial health and viability. Finally, without customers, there are no revenues to budget. For this reason, strategic plans and budgets should be targeted at the customer.

12.13 The Factories Act 1948

The first Factories act was enacted in 1881. The Factories Act 1934 was passed replacing all the previous legislation in regard to factories. This act was drafted in the light of the recommendations of the Royal Commission on Labour.

The experience of working of the Factories Act, 1934 had revealed a number of defects and weakness which have hampered effective administration.

Therefore, the Factories Act, 1948 was consolidating and amending the law relating to labour in factories, was passed by the Constituent Assembly on August 28, 1948 and came into force on April 1, 1949.

Objective of Factories Act ,1948

The main objectives of the Indian Factories Act, 1948 are as follows.

1. **Working Hours**

According to the provision of working hours of adults, no adult worker shall be required or allowed to work in a factory for more than 48 hours in a week. There should be a weekly holiday.

2. **Health**

For protecting the health of workers, the Act lays down that every factory shall be kept clean and all necessary precautions shall be taken in this regard. The factories should have proper drainage system, adequate lighting, ventilation, temperature etc. Adequate arrangements for drinking water should be made. Sufficient latrine and urinals should be provided at convenient places. These should be easily accessible to workers and must be kept cleaned.

3. **Safety**

In order to provide safety to the workers, the Act provides that the machinery should be fenced, no young person shall work at any dangerous machine in confined spaces, there should be provision for manholes of adequate size this would help in case of emergency to escape.

4. **Welfare**

According to the Act every factory must have adequate and suitable facilities for washing and properly maintained for the use of workers. Facilities for storing and drying clothing, facilities for sitting, first-aid appliances, shelters, rest rooms' and lunch rooms, crèches, should be provided.

5. **Penalties**

If the provisions of The Factories Act, 1948, is treated as an offence. The following penalties can be imposed

a. Imprisonment for a term which may extend to one year;
b. Fine which may extend to one lakh rupees; or
c. Both fine and imprisonment.

If a worker misuses an appliance related to welfare, safety and health of workers, or in relation to discharge of his duties, he can be imposed a penalty of Rs. 500/-.

Applicability of Factories Act, 1948

The Act is applicable to any factory whereon ten or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with or without the aid of power or is ordinarily so carried on; but this does not include a mine, or a mobile unit belonging to the armed forces of the union, a railway running shed or a hotel, restaurant or eating place.

Importance of Factories Act, 1948 (Amended 1987, 2016)

The Factories Act, 1948 is a beneficial legislation. The aim and object of the Act is essentially to safeguard the interests of workers, stop their exploitation and take care of their safety, hygiene and welfare at their places of work. It casts various obligations, duties and responsibilities on the occupier of a factory and also on the factory manager. Amendments to the Act and court decisions have further extended the nature and scope of

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the concept of occupier, especially vis-a-vis hazardous processes in factories.

The manufacturing process is defined as:

- Making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, demolishing or otherwise treating or adopting any article or substance intending for its use, sale, transport, delivery or disposal; or
- Pumping oil, water, sewage, or any other substance; or Generating, transforming or transmitting power; or
- Composing types for printing, printing by letter press, lithography, photogravure or other similar process or book-binding; or
- Constructing, reconstructing, repairing, refitting, finishing or breaking up ships or vessels; or
- Preserving or storing any article in cold storage.

The factories act governs the following aspects with respect to any establishment covered under the definition of a factory as defined above:

1. Working hours breaks between work, maximum hours per week/per shift.
2. Annual leave with wages.
3. Employment of young adults.
4. Provisions relating to hazardous processes.

12.14 Short Answer Questions

1. List out the types of financial analysis.
2. Define ratio analysis.
3. What is sneak-peek?
4. What are the types of financial ratios.
5. State the assumptions of break even analysis.
6. Define profitability analysis.
7. What is cost benefit analysis?
8. Mention the outlines of business plan.
9. State the objectives of factories act 1948.

12.15 Long Answer Questions

1. Analyse the five key elements of a financial analysis.
2. How is financial ratio analysis helpful to entrepreneur? Explain.
3. Discuss Break-even analysis.
4. Briefly explain about the steps involved in determining break-even analysis.
5. Explain the three criteria focused by profitability analysis in business/firm.
6. Describe social cost with the help of a diagram.
7. How is cost benefit analysis process useful to entrepreneur in a business?
8. “The Factories Act, 1948 is a beneficial legislation”. Explain.

12.16 Answer to check your Progress

1. Liquidity analysis addresses the ability to generate sufficient cash to cover cash expenses. No amount of revenue growth or profits can compensate for poor liquidity.

- Current ratio (current assets ÷ current liabilities). This measures the ability to pay off short-term obligations from cash and other current assets. A value less than 1 means a company does not have sufficient liquid resources to do this. A ratio above 2 is best.
- Interest coverage (earnings before interest and taxes ÷ interest expense). This measures the ability to pay interest expense from the cash to generate. A value less than 1.5 is cause for concern to lenders.

2. Determine Variable Unit Costs
Determine Fixed Costs
Determine Unit Selling Price
Determine Sales Volume and Unit Price
Create a Spreadsheet

3. Revenue and sales increase from increased production or new product.

- Intangible benefits, such as improved employee safety and morale, as well as customer satisfaction due to enhanced product offerings or faster delivery.
- Competitive advantage or market share gained as a result of the decision.

BLOCK IV

UNIT – 13
INSTITUTION FOR ENTREPRENEURIAL DEVELOPMENT

Structure

13.1 Introduction

As suggested by Mc. Clelland, 'Promoting Entrepreneurial Spirit' among people is significant to emergence of Entrepreneurs in the society. Entrepreneurship Development focuses on providing that drive or spirit in individuals to hasten the development of entrepreneurial society.

Both Government and Development Institutions in India are taking efforts to promote entrepreneurship and have acknowledged that Entrepreneurship promotion will contribute to large number of innovations, employment creation, investments, exports, poverty reduction and distribution of wealth.

- The visible benefits of Entrepreneurship Development are
- More employment opportunities
- Socio- Economic progress

- Improvement in the lifestyle of people
- Inspires future generation to be job creators
- Balanced regional development
- Enhanced global competitiveness
- Prevention of migration of labour towards urban areas

13.2 Institutions for Entrepreneurship Development in India

The Entrepreneurship Development Institute of India, or commonly known as EDII, epitomises the will to advance the frontiers of development with proper education and training that can have a rippling effect. It is a non-profit autonomous institute which was first established in 1983 at Ahmedabad, Gujurat. The EDII aims to enhance the spirit of entrepreneurship and the levels of skills by opening various sustainable entrepreneurial paths and accelerating system for entrepreneurship. The institution provides a whole new career option for the young generation entrepreneurship EDII has been spearheading entrepreneurship training in the nation henceforth. Through research and development EDII develops EDP (Entrepreneurship development program) to augment the supply of entrepreneurs in the country. It has focused dedicated centers:

1. Centre for Entrepreneurship education and training targeting aspiring entrepreneurs
2. Centre for Micro entrepreneurs concentrating on the thirty crore rural population
3. Centre for SMEs and Business development services
4. International centre for Cluster competitiveness
5. Centre for women entrepreneurship development
6. Centre for social entrepreneurship and corporate responsibilities.

EDII Network

The following are the institutions that the Entrepreneurship Development Institute of India has in its network throughout the country.

13.2.1 State Level Institutional Network

- **IED Uttar Pradesh** – Institute of Entrepreneurship Development Lucknow, Uttar Pradesh
- **CED Himachal Pradesh** – Centre for Entrepreneurship Development Shimla, Himachal Pradesh
- **EMDI Rajasthan** – Entrepreneurship & Management Development Institute Jaipur, Rajasthan
- **CED Andhra Pradesh** – Centre for Entrepreneurship Development Hyderabad, Andhra Pradesh
- **CEDOK Karnataka** – Centre for Entrepreneurship Development of Karnataka, Dharwad
- **CED Gujarat** – Centre for Entrepreneurship Development Gandhinagar, Gujarat
- **CED Maharashtra** – Centre for Entrepreneurship Development Aurangabad, Maharashtra
- **IED Orissa** – Institute of Entrepreneurship Development Bhubaneswar, Orissa

- **CED Madhya Pradesh –** Centre for Entrepreneurship Development Bhopal, Madhya Pradesh
- **CED Tamil Nadu** – Centre for Entrepreneurship Development Madurai, Tamil Nadu
- **IED Bihar –** Institute of Entrepreneurship Development Patna, Bihar
- **EDI J & K –** Entrepreneurship Development Institute Srinagar, Jammu & Kashmir

13.2.2 National Level Institutional Network

- **BMOs** – Business Management Organizations Industries Associations
- **ED Cells –** Entrepreneurship Development Cells
- **NGOs –** Non-Governmental Organizations
- **STEPs –** Science & Technology Entrepreneurship Parks
- **NIESBUD** – National Institute for Entrepreneurship and Small Business Development, Noida
- **NIMSME** – National Institute for Micro, Small and Medium Enterprises
- **TBIs –** Technology Business Incubators
- **IIE** – Indian Institute of Entrepreneurship, Guwahati

13.2.3 International Level Institutional Network

- **CIEDC**: Cambodia-India Entrepreneurship Development Centre, Phnom Penh
- **MIEDC**: Myanmar-India Entrepreneurship Development Centre, Yangon
- **LIEDC**: Lao-India Entrepreneurship Development Centre, Vientiane
- **SIEDRIC**: China-Sino-India Entrepreneurship Development Research Centre, Chenggong, Yunnan Province, China
- **VIEDC**: Vietnam-India Entrepreneurship Development Centre, Hanoi

13.3 Check your Progress

Check your Progress

1. What Are The Benefits Of Entrepreneurship?

2.State any five National Level Institutional Network?

13.4 Role of Constancy Organization

There are two basic approaches to ponder counselling in the professional literature. The first is characterized by a broad functional approach. Such an approach regards counselling as a method of giving practical advice and helping to improve management practices as well as individual management performance and performance across the organization. The second approach emphasizes the professional side of counselling considering it to be a specific professional service.

There are several ways (reasons) of using advisory services:

1. **Fixing a Specific Problem**

   The need for expert advice and/or impartial assistance arises in various situations. The counsellor can either contribute to solving this problem or to minimize the problem and its negative impacts on the business.

2. **Obtaining or Expanding Client Capabilities**

   Clients often turn to consultants if they do not have enough time and staff to deal with a particular problem. Employees cannot address the problem either due to lack of experience, lack of qualification or being busy with other projects. The advantage is that the consultant leaves the client's organization after the service was provided. Clients turn to consultants and seek their help, which is based on a temporary basis. It is therefore not necessary to recruit new employees.

3. **Getting Information**

   Businesses need to get new, up-to-date information for their further decision-making or their own business activity. The counsellor then performs function of an informant. The client is provided with the information. The counsellor has in his/her database or he/she obtains it from available sources or ways that client has no access to. The counsellor can not only get this information for the client but also process and evaluate it.

4. **Need for New Ideas**

   The company has a problem with which management and employees are too closely connected. They are simply not able to find an effective solution. External counsellors with relevant competencies can be helpful to resolve such a problem. By not being internalized in the client's organization, it has the prerequisites for it to be able to permeate all the circumstances of the problem, determine its nature and causes and recommend solutions.

5. **The Need for an Impartial and Unbiased Opinion**

   This fact is partly related to the previous situation, but it refers to the policy of a particular company. For example, the management of a company may believe that the proposals and recommendations submitted by its own staff are not unbiased. For example, an unbiased advice from a consultant may be necessary in a situation where company faces a serious decision and its possible adoption.

6. **The Need for Organizational Change**

   Deep-rooted ideas and habits are a big problem in a situation where the company faces significant organizational change. In this case, the consultant is expected to have the knowledge and experience leading to this change. The main contribution of the consultant to the strategy of change in the client's organization lies in the fact that possesses the necessary qualification and advisory technique.

7. **Need to Diagnose the Problem and find its Solution**

   Diagnostic skills and abilities represent one of the most important professional competencies of counselors. The subject of diagnosis may be the internal situation of the business or the external environment in which the company operates. Diagnosis may be complex, but it may be narrowed and limited to one problem or circuit of problems. After the diagnosis and specification of the problem, the client can ask the counsellor for suggestions on how to deal with it.

8. The Need for Education

Clients often use advisory services to educate their employees. Many consultants provide lecturing and trainings as complement to their main activity—consulting activity. Vocational trainings can be focused on new methods, techniques and technologies. The trainings can focus on improving the professioneal skills of the client's employees.

Check your Progress

3. Explain the advisory services of constancy organization?

4.what do you mean by buyouts?

5.Give Short note on YES Samriddhi?

9. Introducing New Methods and Systems

Every organization needs to work as efficiently as possible. In this context, the client expects the consultant to introduce new organizational, planning and controlling methods and systems. The consultant can tailor these procedures and systems to "tailor-made" it to the client. When finding solutions, the consultant can use a variety of creative techniques. Creative counselling is very important for recognizing potential solutions. There are a number of signals that indicate the need for consulting services

- Absence of a written business plan.
- Inexplicably low morale.
- Regular, repeated increase in expenditure.
- Regular shortage of cash.
- Chronic delay of supply of goods.
- Loss of market position.
- Burnout staff.
- Excessive workload without achieving goals.
- Continued defects in deliveries.
- Lack of information about competition or the market

13.5 Role of Entrepreneurs Development Programmes (EDP)

The speed at which industrialization has taken place in recent years is due to the major role played by EDP's. Following are the major achievements of EDP's:

1. EDP's played an important role in establishment, development and expansion of the practice-oriented development programme. In India almost all the training programmes conducted are organized and developed under EDP's.
2. EDP's have also developed and established various support systems necessary for the entrepreneurs. They strengthen and coordinate these support systems.

3. EDP’s have not only created a background for industrialization but have also given momentum to it.
4. These programmes have also contributed a lot to solve the problem of unemployment. EDP’s have helped to a great extent in this direction by starting self employmentprogrammes and giving momentum to the speed of industrialization.
5. Another achievement of these programmes is establishment and development of new enterprise which is a very difficult task in this competitive era. EDP’s have provided various inputs to establish new enterprises and also provided various entrepreneurial skills and qualities.
6. Entrepreneurial education and training has spread because of entrepreneurial development programmes. This has resulted in increase in the knowledge, imaginative power, farsightedness, risk taking ability of the entrepreneurs etc.
7. EDP’s have also contributed in project formulation. Choosing a right type of project is a difficult task as resources are limited. EDP’s have proved very useful in such situations.
8. EDP’s have helped in balanced regional development by encouraging people to establish small industries in villages and backward areas.
9. Another important achievement of EDP’s is availability of cheap and quality product to the consumer. Due to EDP’s new ventures have been established which have new technology and expertise which results in increase in competition.
10. Many entrepreneurship development institutions have been established because of the EDP’s in India. The major among them are Management Development Institute, National Institute of Entrepreneur and Small Business Development (NIESBUD), Entrepreneurial Development Institute of India (EDII), Technical consultancy organization (TCO) etc.

13.6 The Role of Financial Institutions in Entrepreneurial ship in India

The Maharashtra State Financial Corporation (MSFC) has been set up under the ‘State Financial Corporation’s (SFCs) Act 1951’. The Corporation has been operating in the State of Maharashtra since 1962 and in the State of Goa and the Union Territory of Daman and Diu since 1964. The main function of MSFC is to provide Term Loan assistance to small and medium scale industries (new as well as existing) for acquisition of fixed assets like land, building, plant & machinery. The Eligible Industries / Activities are - Manufacturing, Assembling, Servicing, Processing, Preservation, Transportation, Setting - up Industrial Estates, Road Construction etc.

Major Schemes run by the MSFC is - General Loan, Equipment Finance, Small Nursing Homes, Electro - Medical Equipment for Medical Practitioners, Hotels, Restaurants & Tourism Related Activities, Qualified Professionals, MahilaUdyamNidhi, National Equity Fund, Technology Development &Modernization, etc.

Commercial banks came into the business of supporting entrepreneurs in a significant way only after the nationalization of banks. Indian Commercial Banks have established an Entrepreneurship service call to provide consultancy services to prospective entrepreneurs. These banks also assist new entrepreneurs in selection of enterprise, preparation and evaluation of project report, market survey, training at different levels, obtaining government clearance, procurement of machinery and equipments and marketing of products of the enterprises.

RBI advised commercial banks to initiate the activities of increase credit flow to the small scale industries. A bank can extend credit to an entrepreneur, which allows him or her to be able to start with more purchasing power than with cash alone. State Bank of India launched entrepreneurship development programme. State Bank of India implemented a scheme of financial assistance to technically qualified or trained entrepreneurs. SBI has set up Research and Development Fund for entrepreneurship development. SBI introduced deferred payment guarantee scheme for the purchase of big machines. SBI through its scheme made available fund and non-fund based facilities. SBI provides working capital to entrepreneurs. This programme was of one month duration, having three phases.

Initiation phase: creating awareness about entrepreneurial opportunities.

- Development phase: Training in developing motivation and managerial
- Skills Support phase: Counseling, encouragement and infrastructural support for
- Establishing and running enterprises.

13.7 Financial Institutions in India

Finance is one of the essential supplies of an enterprise. Without sufficient funds, no business can be developed. In India, Central and state governments are promoting a number of financial institutions to bring in the industrial development in the state. A number of institutions set up by central and state government help the entrepreneurial activities in various ways. The activities cover a wide range of services i.e. financing, technological guidance, equipment support, training, marketing and providing subsidy and grants.

Financial institutions perform a wide variety of promotional behavior for new entrepreneurs, consultancy services for small and medium enterprises and programmes designed for accredited voluntary agencies for the financial upliftment of the needy. These include entrepreneurship development and selfemployment. The main function of financial institutions is to provide mainly the term loan assistance to small and medium scale industries for acquiring fixed assets like land, building, place and machinery. Loans are also extended for expansion, diversification, technology development, expansion of the business. The following institutions are available for providing the above mentioned benefits.

1. Industrial Development Bank of India (IDBI)
2. National bank for Agriculture and Rural Development (NABARD)
3. Export Import bank of India
4. Small industrial development bank of India (SIDBI)
5. Industrial investment bank of India
6. Industrial finance corporation of India (IFCI)
7. Industrial Credit and Investment Corporation of India (ICICI)
8. Industrial Reconstruction Bank of India

9. Indian banking system and commercial banks
10. State Financial Corporations (SFCs)
11. Life Insurance corporation of India (LIC)
12. Unit Trust of India (UTI)

13.8 Bank Finance to Entrepreneurs

(i) Financial Bootstrapping

Financial Bootstrapping is a term used to cover different methods for avoiding using the financial resources of external investors. It involves risks for the founders but allows for more freedom to develop the venture. Different types of financial bootstrapping include Owner financing, Sweat equity, Minimization of accounts payable, joint utilization, minimization of inventory, delaying payment, subsidy finance and personal debt.

(ii) External Financing

Businesses often need more capital than owners are able to provide. Hence, they source financing from external investors: angel investment, venture capital, as well as with less prevalent crowdfunding, hedge funds, and alternative asset management. While owning equity in a private company may be generally grouped under the term private equity. This term is often used to describe growth, buyout or turnaround investments in traditional sectors and industries.

(iii) Business Angels

A business angel is a private investor that invests part of his or her own wealth and time in early-stage innovative companies. It is estimated that angel investment amounts to three times venture capital. Its beginnings can be traced to Frederick Terman, widely credited to be the "Father of Silicon Valley" (together with William Shockley), who invested $500 to help starting up the venture of Bill Hewlett and Fred Packard.

(iv) Venture Capital

Venture capital is a way of corporate financing by which a financial investor takes participation in the capital of a new or young private company in exchange for cash and strategic advice. Venture capital investors look for fast-growing companies with low leverage capacity and high-performing management teams. Their main objective is to make a profit by selling the stake in the company in the medium term. They expect profitability higher than the market to compensate for the increased risk of investing in young ventures.

Key differences between business angels and venture capital:

- Own money (BA) vs. other people's money (VC)
- Fun + profit vs. profit
- Lower vs. higher expected IRR
- Very early stage vs. start-up or growth stage
- Longer investment period vs. shorter investment horizon

(v) Buyouts

Buyouts are the forms of corporate finance used to change the ownership or the type of ownership of a company through a variety of means. Once the company is private and freed from some of the regulatory and other burdens of being a public company. The central goal of buyout is to discover means to build this value. This may include refocusing the mission of the company, selling off non-core assets, freshening product lines, streamlining processes and replacing existing management. Companies with steady, large cash flows, established brands and moderated growth are typical targets of buyouts.

There are several variations of buyouts:

- Leveraged buyout (LBO): a combination of debt and equity financing. The intention is to unlock hidden value through the addition of substantial amounts of debt to the balance sheet of the company.
- Management buyout (MBO), Management buy in (MBI) and Buy in management buyout (BIMBO): private equity becomes the sponsor of a management team that has identified a business opportunity with a price well above the team's wealth. The difference is in the position of the purchaser: the management is already working for the company (MBO), the management is new (MBI) or a combination (BIMBO).
- Buy and built (B&B): the acquisition of several small companies with the objective of creating a leader (highly fragmented sectors such as supermarkets, gyms, schools, private hospitals).
- Recaps: re-leveraging of a company that has repaid much of its LBO debt.
- Secondary Buyout (SBO): sale of LBO-company to another private equity firm.
- Public-to-private (P2P, PTOP): takeover of public company that has been 'punished' by the market, i.e. its price does not reflect the true value.

13.9 Financial Planning

A. Major Entrepreneurial Financial Planning
Importance

Financial planning allows entrepreneurs to estimate the quantity and the timing of money needed to start their venture and keep it running.

The key questions for an Entrepreneur are:

- Is it worthy to invest time and money in this business?
- What is the cash burn rate?
- How to minimize dilution by external investors?
- Scenario analysis and contingency plan?

A start-up's Chief Financial Officer (CFO) assumes the key role of entrepreneurial financial planning. In contrast to established companies, the start-up CFO takes a more strategic role and focuses on milestones with given cash resources, changes in valuation depending on their fulfilment, risks of not meeting milestones and potential outcomes and alternative strategies.

B. Five Banks Offering Easy Loans to Small Business Entrepreneurs in India

Small businesses and MSMEs form the backbone of India's economy and may hold the key to solving India's unemployment crisis. To sustain operations and eventually expand, these small businesses require large amounts of capital. However, the sector is facing a working capital crunch. There is a lack of access to affordable credit. Here are some of India's top banks and their financial schemes for small businesses.

(i) Bank of Baroda

Bank of Baroda Started in 1908. It is a public sector banking. Bank of Baroda is a key institution for financing working capital requirements. Bank of Baroda has schemes for all commercial enterprises, including those outside the regulatory definition of SME but having a turnover up to Rs 150 crore, as well as new infrastructure and real estate projects where the project cost is up to Rs 50 crore. The bank treats them as part of SME segment.

(ii) YES Samriddhi

Under this, the maximum loan amount is Rs 4 crore, and Non DP Linked OD is up to Rs 2 crore. It is usually in the form of fund-based credit such as Cash Credit, Overdraft, Working Capital Demand Loan , Term Loan, Drop Line OD, Export Credit, etc. It is also available in non-fund based format such as Letter of Credit, Buyers Credit, Bank Guarantee. The loan is parameterised, template-based fast track sanction with local credit delegation.

(iii) HDFC Bank

HDFC Bank is the India's largest private sector lender by assets, HDFC Bank is headquartered in Mumbai, Maharashtra. HDFC Bank offers financial assistance to small businesses through working capital loans,businessloans, and term loans.

(iv) Bank of India

It was Started in 1906 ; Bank of India is government-owned since 1969. It provides financial assistance to small businesses under specific schemes such as Star MSME E-Rickshaw, Star MSME GST Plus Scheme, Star Weaver MUDRA Scheme, Star SME, Education Plus, Star Start Up Scheme BOI, Star Doctors Plus, and TReDs. It also has small business lending schemes under Star SME Contractor line of Credit, Star SME Auto Express, Star SME Education Plus, Star SME Liquid Plus SRTO, Star LaghuUdyamiSamekat Loan, Technology Upgradation Fund Scheme, PradhanMantri Credit Scheme, PMMY, Stand Up India, PMEGP, NULM, Weavers Mudra Scheme, and Cluster Financing

(v) Corporation Bank

It is Headquartered in Mangaluru ; Corporation Bank is a public-sector banking company with a pan-Indian presence. Corporation Bank provides a comprehensive range of innovative and business friendly banking products and services for small business entrepreneurs through its branches across the country. They fall under Corp SME Tex Plus Scheme, Corp SME Auto Plus Scheme, Corp Gold Card Scheme, Corp SME Credit Card Receivable Funding Scheme, Corp SME Receivable Funding, Corp SME Term Plus Scheme, Corp SME Liquid Plus Scheme, Corp Collateral Free Loan Scheme under CGTMSE, Corp Commercial Vehicle Loan Scheme, and

Corp Artisans Credit Card. Some more examples of schemes are Corp Weavers Credit Card, Credit Linked, Capital Subsidy Scheme (CLCSS), Technology Upgradation Fund Scheme (TUFS), Corp Timber Traders Loan, Prime Minister's Employment Generation Programme (PMEGP), Corp VanithaUdyog Scheme (CVUS), and Corp Gold Business Loan

13.10 The Role of Development in Financial Institutions

A development finance institution (DFI) also known as a development bank. Development finance company (DFC) is a financial institution that provides risk capital for economic development projects on non commercial basis. They are often established and owned by governments or charitable institutions to provide funds for projects that would otherwise not be able to get funds from commercial lenders. Some development banks include socially responsible investing and impact investing criteria into their mandates. Governments often use development banks to form part of their development aid or economic development initiatives.

DFIs can include multilateral development banks, national development banks, bilateral development banks, microfinance institutions, community development financial institution and revolving loan funds. These institutions provide a crucial role in providing credit in the form of higher risk loans, equity positions and risk guarantee instruments to private sector investments in developing countries.

In the year 2005, total commitments (as loans, equity, guarantees and debt securities) of the major regional, multilateral and bilateral DFIs totalled US$45 billion (US$21.3 billion of which went to support the private sector). DFIs often provide finance to the private sector for investments that promote development and to help companies to invest, especially in countries with various restrictions on the market.

Development banks include

- Community development banks which fund low-income areas in the United States
- International financial institutions conducting development-oriented finance on a bilateral or multilateral basis
- National development banks are government-owned financial institution that provides financing for economic development.
- Multilateral development bank are development banks set up by a group of countries and often operate under international laws.

13.11 Functions of Entrepreneurs in Relation Elation to Economic Development

In the absence this function, all other resources, namely land, labour and capital would remain idle. They may not be inventing/discovering the products, their role in commercial exploitation of the advancements in science and technology via organisation of the productive apparatus makes the other resources productive and useful. So much so that it is said that in the absence of entrepreneurial intervention, every plant would remain a weed and every mineral would remain a rock.

1. Contribution to GDP: Gross Domestic Product is the most common definition of economic development. So, entrepreneurs generate

income via organisation of production be it agriculture, manufacturing or services. Income generated is distributed among the factors of production where land gets rent, labour gets wages and salaries, capital gets interest and the residual income accrues to the entrepreneur in the form of profits. The biggest contribution of the entrepreneurship lies in capital formation and generation of employment.

2. Capital Formation: The entrepreneurial decision, in effect, is an investment decision that augments the productive capacity of the economy and hence results in capital formation. In fact, GDP and capital formation are related to each other via Capital Output Ratio (COR); more precisely Incremental Capital Output Ratio (ICOR) that measures the percentage increase in capital formation required obtaining a percentage increase in GDP. So, if a country desires to grow @ 10.0 % p.a. and its ICOR is 2.6, then it must ensure capital formation @ 26.0% p.a. Entrepreneurs, by investing their own savings and informally mobilising the savings of their friends and relatives contribute to the process of capital formation.
3. Generation of Employment: Every new business is a source of employment to people with different abilities, skills and qualifications. As such entrepreneurship becomes a source of livelihood to those who do neither have capital to earn interest on nor have the land to earn rent .
4. Generation of Business Opportunities for Others: Every new business creates opportunities for the suppliers of inputs (this is referred to as backward linkages) and the marketers of the output (what is referred to as forward linkages). As a pen manufacturer create opportunities for refill manufacturers as well as wholesalers and retailers of stationery products. These immediate linkages induce further linkages. For example greater opportunities for refill manufacturers would mean expansion of business for ink manufacturers. In general, there are greater opportunities for transporters, advertisers, and, so on.
5. Improvement in Economic Efficiency: Efficiency means to have greater output from the same input. Entrepreneurs improve economic efficiency by a. Improving processes, reducing wastes, increasing yield ,and, b. Bringing about technical progress, that is, by altering labour-capital ratios.
6. Increasing the Spectrum and Scope of Economic Activities: Development does not merely mean ‘more’ and ‘better’ of the existing; Underdeveloped countries are caught in the vicious cycles on the demand as well as supply side. Entrepreneurs penetrate into and break these cycles; For example, by organising and orienting domestic production for exports. Thus, production (and thereby generation of income) is not constrained by the inadequacy of domestic demand. (Demand-side Vicious Cycle). In today’s context, India is poised to become a manufacturing hub for the global markets for diverse products. Economic development is also constrained by the supply-side pressures resulting into absence of capacity to meet the demand whether domestic or overseas.

Entrepreneurs mobilise local and even overseas resources to augment the productive capacity of a country.

7. Impact on Local Communities: Entrepreneurship, in its natural habitat, is a great leveler. Small-scale entrepre-neurship enables such marginalised groups as women, SC, ST and OBC to pursue their economic dreams. As there are no entry barriers in terms of educational qualifications, entrepreneurship is an even more attractive career option for such marginalised groups. Agro-based rural industries and craftbased cottage industries can really catapult local communities to socio-economic success stories. Local governments do their bit in developing these entrepreneurship clusters with a view to encouraging inter-firm collaboration and development of common facilities. entitled, 'Entrepreneurship Clusters in India.'

13. 12 Short Answer Questions

1. Mention the state level institutions of EDII.
2. Write a note on buyouts.
3. What are the six centres focused by EDII.
4. List out the needs for consulting services.
5. What is venture capital?
6. Differentiate business angels from venture capital.

13.13 Long Answer Questions

1. Explain the role of constancy organization.
2. Describe the need for entrepreneurs development programmes.
3. Analyse the role of financial institutions in India's economic development.
4. Discuss the five banks offering loans to small business entrepreneurs in India.
5. How do the functions of entrepreneurs contribute to the development of small scale enterprises?

13.14 Answer to Check Your Progress

1. The visible benefits of Entrepreneurship Development are

- More employment opportunities
- Socio- Economic progress
- Improvement in the lifestyle of people
- Inspires future generation to be job creators
- Balanced regional development
- Enhanced global competitiveness
- Prevention of migration of labour towards urban areas

2. BMOs – Business Management Organizations Industries Associations

- **ED Cells –** Entrepreneurship Development Cells
- **NGOs –** Non-Governmental Organizations

- **STEPs –** Science & Technology Entrepreneurship Parks
- **NIESBUD –** National Institute for Entrepreneurship and Small Business Development, Noida
- **NIMSME –** National Institute for Micro, Small and Medium Enterprises
- **TBIs –** Technology Business Incubators
- **IIE –** Indian Institute of Entrepreneurship, Guwahati

3. There are several ways (reasons) of using advisory services:

1 . Fixing a Specific Problem

The need for expert advice and/or impartial assistance arises in various situations. The counsellor can either contribute to solving this problem or to minimize the problem and its negative impacts on the business.

2.Obtaining or Expanding Client Capabilities

Clients often turn to consultants if they do not have enough time and staff to deal with a particular problem. Employees cannot address the problem either due to lack of experience, lack of qualification or being busy with other projects. The advantage is that the consultant leaves the client's organization after the service was provided. Clients turn to consultants and seek their help, which is based on a temporary basis. It is therefore not necessary to recruit new employees.

3. Getting Information

Businesses need to get new, up-to-date information for their further decision-making or their own business activity. The counsellor then performs function of an informant. The client is provided with the information. The counsellor has in his/her database or he/she obtains it from available sources or ways that client has no access to. The counsellor can not only get this information for the client but also process and evaluate it.

4. Need for New Ideas

The company has a problem with which management and employees are too closely connected. They are simply not able to find an effective solution. External counsellors with relevant competencies can be helpful to resolve such a problem. By not being internalized in the client's organization, it has the prerequisites for it to be able to permeate all the circumstances of the problem, determine its nature and causes and recommend solutions.

5. The Need for an Impartial and Unbiased Opinion

This fact is partly related to the previous situation, but it refers to the policy of a particular company. For example, the management of a company may believe that the proposals and recommendations submitted by its own staff are not unbiased. For example, an unbiased advice from a consultant may be necessary in a situation where company faces a serious decision and its possible adoption.

4. Buyouts are the forms of corporate finance used to change the ownership or the type of ownership of a company through a variety of means. Once the company is private and freed from some of the regulatory and other burdens of being a public company. The central goal of buyout is to discover means to build this value. This may include refocusing the mission of the company, selling off non-core assets, freshening product lines, streamlining processes and replacing existing management.

Notes

Companies with steady, large cash flows, established brands and moderated growth are typical targets of buyouts

5. YES Samriddhi

Under this, the maximum loan amount is Rs 4 crore, and Non DP Linked OD is up to Rs 2 crore. It is usually in the form of fund-based credit such as Cash Credit, Overdraft, Working Capital Demand Loan , Term Loan, Drop Line OD, Export Credit, etc. It is also available in non-fund based format such as Letter of Credit, Buyers Credit, Bank Guarantee. The loan is parameterised, template-based fast track sanction with local credit delegation.

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UNIT – 14
GOVERNMENT SCHEMES

Structure:

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14.1 Introduction

There is rapid population growth in India.
Government Entreprenrship Schemes

There is nothing more important than creating employment opportunities. In the past couple of years, more and more people are choosing to start up their own SMEs. With over 8000 startups in the last year, NASSCOM reported that there has been a whopping 108% increase in the Startup sector in our country. India is now 3rd, after US and UK, in the global startup ecosystem.

Government has launched a variety of startup schemes and loans to encourage more and more people to start their own businesses. Startups, successful, act as magnets to attract foreign investments and boost the economy. Also, with the ever-increasing demand of consumer products, manufacturing them within the country seems more feasible and lucrative. For example. Smart phones and India is indeed becoming a hub of mobile manufacturing units.

14.2 Government Schemes

Government schemes for businesses in India mainly focus on providing the much needed capital for investment at subsidised interest rates, which in turn encourages people to realise their dreams with their own ventures. Although there are tons of schemes available, there are ten most viable startup schemes are explained below :

1. MUDRA – The Micro Units Development and Refinance Agency or MUDRA, is a flagship program by the government of India to provide funds to micro and small enterprises. No collateral is required to avail loan. It is applicable for manufacturing, trading, and even allied agricultural services. It has 3 modules, Shishu (loan up to 50,000), Kishor (Loan between 50,000 and 5 lakh) and Tarun (Loan between 5 lakh and 10 lakh).
2. NABARD – The National Bank for Agriculture And Rural Development, or NABARD, for short, is primarily aimed towards providing credit benefits to agriculture as well as other cottage and village industries. It also provides finance to lending institutions in villages. With schemes for food processing plants and integrated rural development, NABARD works in conjunction with the RBI to implement and regulate financial assistance in rural areas. Its Dairy Entrepreneurship Development scheme offers up to 90% of the

project cost (minimum 10 lakhs to maximum 150 lakhs) to budding entrepreneurs.

3. Credit Guarantee Scheme – The CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) was set up by the Government of India to provide business loans to micro and small industries, with zero collateral. This means that new and upcoming startups can avail loans at highly subsidised interest rates without providing any security. Working along with SIDBI (Small Industries Development Bank of India), the government provides a maximum amount of up to 100 lakhs under this scheme, for boosting new enterprises as well as rehabilitating existing ones. Primarily for manufacturing units, this loan can be availed in the form of working capital or term loan.
4. Stand Up India Scheme It was Launched in 2016. This scheme was implemented to cater to women entrepreneurs, as well as those from SC and ST communities. Ranging from 10 lakh to 100 lakh is available for Greenfield ventures in manufacturing, trading, and service units.

Under this scheme, it is mandatory for every bank to lend money to at least one woman entrepreneur and one SC/ST unit per branch. In case of non-individual businesses, the woman entrepreneur must hold at least a 51% stake in the unit. The loan can be provided as working capital with a maximum return period of 7 years.

5. NewGen IEDC – The NewGen Innovation and Entrepreneurship Development Centre is applicable to industries like healthcare services, chemicals, hardware, aeronautical/defense, IT, AR/VR, construction, design, food and beverages, textiles, nanotechnology, and renewable and non-renewable energy sources, among others. It provides a one-time non-recurring loan of up to 25 lakhs to finance startup units.
6. AIC – Atal Innovation Mission : The Atal Incubation Centres provide grant-in-aid of Rs. 10 Cr to every AIC. The duration of the grant is a maximum of 5 years. It is set up under the NITI aayog. The purpose of AICs will be to provide financial aid and infrastructure assistance to different startups in sectors like chemicals, technology hardware, healthcare & life sciences, aeronautics/aerospace & defence, agriculture, AI, AR/VR (augmented + virtual reality), automotive, telecommunication & networking, construction, design, non-renewable energy, renewable energy, green technology, fintech, Internet of Things, nanotechnology, and food & beverages, among others. Conducting training and entrepreneurship workshops, organizing inspirational programs, enabling access to necessary infrastructure, prototyping or research facilities, as well as creating a group of mentors to guide the entrepreneurs, are some of the tasks that an AIC is expected to perform.
7. CLCSS – Under MSME, the Credit Linked Capital Subsidy Scheme is a means to provide subsidy to manufacturing units who have upgraded their machinery with state-of-the-art equipment. This scheme is meant to encourage manufacturing units to buy the latest equipment, and facilitate technology upgradation.

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8. SMILE – The SIDBI Make in India Soft Loan Fund for Micro, Small, and Medium Enterprises provides soft loans to MSME units at reasonable terms, to meet the debt-equity ratio of a unit or to help in its growth and expansion. The loan is applicable for a maximum period of 3 years. The amount disbursed varies on the category the unit falls under, with 10% or a maximum of 20 lakhs for General category, and 15% or a maximum of 30 lakhs for SC/ST, PwD, and women.
9. Loan for Rooftop Solar PV Power Projects – It is Headed by the Indian Renewable Energy Development Agency (IREDA), this scheme promotes renewable energy development by providing support for solar PV projects on rooftops. The IREDA will provide 70% of the project cost, while the entrepreneur will contribute the remaining 30% of the amount. In some projects, where the unit has great track record, higher benefits, and more productivity, the IREDA may extend the loan amount to 75% of the project cost. The loan has to be repaid in a maximum of 9 years.
10. M-SIPS – The Modified Special Incentive Package Scheme provides capital subsidies to manufacturing and electronic units in sectors of technology hardware, IoT, automotive, renewable and non-renewable energy sources, nanotechnology, green technology, and aerospace and defense industries. Under this scheme, there's a provision for 20% capital subsidy in SEZ, and 25% in non-SEZ, for business units in manufacturing and electronics.

14.3 Central Government Programmes

The following programmes are implemented by the central Government for the welfare of people in India.

14.3.1 Prime Minister's Employment Generation Programme (PMEGP)

Government of India has approved a new credit linked subsidy programme known as Prime Minister's Employment Generation Programme (PMEGP). It has been done by merging the two schemes that were in process till 31.03.2008 specifically Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP). That were meant for creation of employment opportunities through establishment of small enterprises in rural and metropolitan areas. PMEGP will serve as a central sector scheme to which shall be administered aad monitored directly by the Ministry of Micro, Small and Medium Enterprises (MoMSME). The Scheme shall be implemented and governed by Khadi and Village Industries Commission (KVIC), which is a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency at the National level. Whereas at the State level, the State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) as well as banks will implement the Scheme. The Government subsidy under the Scheme will be routed by KVIC through the recognized Banks to the entrepreneurs in their Bank accounts.

Objectives of Prime Minister's Employment Generation Programme (PMEGP)

1. The chief objective of the scheme is to produce more and more employment opportunities in both, rural as well as urban areas of the country. For this purpose, setting up of new self-employment ventures/projects/micro enterprises shall also be done.
2. It also aims at bringing together a widely isolated traditional rural and urban youth seeking employment and providing them self-employment opportunities.
3. The government wishes to provide a sustainable employment to a large segment of traditional rural and urban unemployed youth in the nation ;
4. It is also an attempt to increase the earning capability of rural and urban youth.

Conditions of Eligibility for Beneficiaries

1. The age should be above 18 years.
2. There will be no limit of income for setting up projects under PMEGP.
3. The beneficiaries should have studied at least up to VIII standard for setting up of project costing more than Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business /service sector.
   The assistance under the Scheme is provided only in case of new projects sanctioned particularly under the PMEGP.
4. Self Help Groups alongwith those belonging to BPL are also eligible for assistance under PMEGP provided that they must not have availed benefits under any other Scheme
5. The institutions should be registered under Societies Registration Act, 1860.
6. Production Co-operative Societies and Charitable Trusts are also eligible for the scheme

14.3.2 Market Development Assistance Scheme For Micro/ Small Manufacturing Enterprises/ Small & Micro Exporters

The scheme offers financial support by manufacturing Small & Micro Enterprises in International Trade Fairs/ Exhibitions under MSME India stall. It also offers funding for sector specific market studies done by Industry Associations/ Export Promotion Councils/ Federation of Indian Export Organization. SSI Associations that initiate anti-dumping cases are covered under the scheme.

Objectives

1. The scheme aims at encouraging Small & Micro exporters for tapping and developing markets in foreign country.
2. Government wants to motivate the representatives of small/ micro manufacturing Enterprises to participate under MSME India stall at International Trade Fairs/ Exhibitions for further exposure.
3. Further the scheme also aims at popularizing the implementation of Bar Coding on a large scale.

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Scheme for Assistance to Training Institutions

The Scheme provides financial assistance to establish new institutions (EDIs) and to strengthen the infrastructure of the existing EDIs. The chief objectives of the scheme are to develop local entrepreneurship and thereby to develop new micro and small enterprises and to create self-employment in rural as well as urban areas, by providing training to new generation entrepreneurs in setting up of enterprises. The assistance shall be in the form of capital grant specifically for development of infrastructure.

14.3.3 Rajiv Gandhi Udyami Mitra Yojana

The Union Micro, Small and Medium Enterprises Ministry launched the Rajiv Gandhi Udyami Mitra Yojana to provide assistance to entrepreneurs in the Northeastern region. Beneficiaries from the Northeastern region, and those belonging to the SC/ST/physically handicapped/women categories, will not have to contribute for the establishment of service enterprises of micro-manufacturing enterprises, under the scheme.

The scheme aims to provide assistance to entrepreneurs through Udyami Mitra, in completing various formalities necessary for the establishment of the enterprise. This includes preparation of project report, arranging fund, use of technology, and marketing, setting up of plant with machinery along with getting approvals, clearances and NOCs as and when required. The Yojana was anticipated to provide end-to-end support for establishment of new micro and small enterprises.

Objective of Rajiv Gandhi Udyami Mitra Yojana (Rgumy)

The objective of the scheme is to provide support and assistance to the new generation entrepreneurs, who have already completed EDP/SDP/ESDP or vocational training from ITIs, through the selected lead agencies. Under this scheme, financial assistance is provided to the selected lead agencies i.e. **Udyami Mitras** for rendering assistance and support to the new generation entrepreneurs.

14.3.4 Credit Link Capital Subsidy Scheme for Technology Upgradation

The Scheme aims at facilitating technology upgradation by providing capital subsidy to SSI units, including tiny, khadi, village and coir industrial units, on institutional credit availed of by them for modernization of their production equipment.

The Scheme before its revision provided 12 per cent capital subsidy to SSI units, including tiny units, on institutional finance availed by them for induction of well established and improved technology in selected sub-sectors/products approved under the Scheme. The eligible amount of subsidy calculated under the earlier scheme was based on the actual loan amount not beyond Rs.40 lakh.

A large percentage of SSI units continue with outdated technology and plant & machinery because of insufficient investment and lack of awareness. With increasing competition of the economy, the survival and growth of the SSI units are critically dependent on their modernization and technological upgradation. Upgradation of both the process of manufacture and corresponding plant and machinery is necessary for the small enterprises.

It is in this background that the ceiling for loans under the Scheme was raised from Rs. 40 lakh to Rs. 1 crore and rate of subsidy from 12 per cent to 15 per cent.

14.3.5 National Award Scheme

The Micro, Small & Medium Enterprises (MSMEs) in India have seen an immense development in the last few decades. The MSMEs have made us notice remarkable growth in terms of quality production, export-import, modernization, product development very much beyond expectations. Entrepreneurial efforts have made it possible to produce a large number of items, which previously were imported. In some cases new variants so produced are having additional attributes and are quite user friendly as well. This all has been possible due to the farsightedness of entrepreneurs of MSMEs

14.3.6 Scheme to Support Five Selected Universities / Colleges to Run 1200 Entrepreneurship Clubs

The scheme is to support five universities to run Entrepreneurship Clubs and each university should be from Northern, Western, Eastern, Southern and North East region. Each university is supposed to run 240 clubs per year and each club should have a membership of 50 entrepreneurs. In a period of 5 years, 3 lakh entrepreneurs are to be benefited in all.

Objectives of the Scheme

The scheme is to encourage entrepreneurs. Moreover, this scheme will perform a very important role in bringing the entrepreneurs, universities and MSME-Development Institutes (MSME-DI) together. Because of this scheme it will be possible for entrepreneurs to come together and solve their common problems.

14.3.7 Schemes for Women Entrepreneurs

a. **Mahila Udyami Yojana (MUY):** IDBI has set up special fund under this scheme with corpus fund of Rs.5Crore to provide seed capital assistance to the women entrepreneurs intending to initiate projects in SSI sector. This scheme is implemented by SIDBI. 51% of equity should be managed by women.
b. **Stree Sakthi Package (SBI):** Under this scheme, EDPS are exclusively designed and conducted for women entrepreneurs. Moreover, an amount of Rs.25000/- is provided without collateral security.
c. **Priya Darshini Yojana:** It is implemented by Bank of India. Financial assistance is provided to women entrepreneurs
    - The amount of maximum loan in the scheme is upto 2 lakhs for term loan and 1 lakh for working capital.
    - Assets acquired with finance are hypothecated as security.
    - Repayment period is 3-5 years.
    - Margin money is 20% depending on type of activity.

    Besides these programmes other schemes such as PMRY, SEPUP (Self Employment Programme for urban Poor.),SGSY, IRDP and Rashtriya Mahila Kosh help women entrepreneurs in

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providing financial assistance. Government incentives are of two types of subsidies.

- Investment subsidy to establish more enterprises. It includes various subsidies such as capital investment subsidy, transport subsidy, power generator subsidy, and social subsidy to women entrepreneurs.
- Other subsidies include Export / import subsidy, tax subsidy, excise subsidy/ duty exemption, and capital subsidy for technology upgradation

14.4 Check your Progress

Check your Progress I

1.write a short note an MUDRA?

2.what is CLCSS?

14.5 State Level Financial Institutions

Directorate of Industries (DIs)

At the State level, the Commissioner/ Director of Industries implements policies for the promotion and development of small-scale, cottage, medium and large scale industries. The Central policies for the SSI sector serve as guidelines but each State evolves its own policy and package of incentives. The Commissioner/ Director of Industries in all the States/UTs, oversee the activities of field offices, that is, the District Industries Centers (DICs) at the district level.

District Industries Centers (DICs)

In order to extend promotion of small-scale and cottage industries beyond big cities and state capitals to district headquarters, DIC program was initiated in May, 1978, as a centrally sponsored scheme. DIC was established with the aim of generating greater employment opportunities especially in rural and backward areas in the country. At present DICs operate under respective Sate budgetary provisions. DICs extend services of the following nature – (i) economic investigation of local resources (ii) supply of machinery and equipment (iii) provision of raw materials (iv) arrangement of credit facilities (v) marketing (vi) quality inputs (vii) consultancy.

State Financial Corporation's (SFCs)

Main objectives are to finance and promote small and medium enterprises in their respective states for achieving balanced regional growth, catalyze investment, generate employment and widen ownership base of industry. Financialassistance is provided by way of term loans, direct subscription to equity/debentures, guarantees, discounting of bills of exchange and seed capital assistance. SFCs operate a number of schemes of refinance of IDBI and SIDBI and also extend equity type assistance.

SFCs have tailor-made schemes for artisans and special target groups such as SC/ST, women, ex-servicemen, physically challenged and also provide financial assistance for small road transport operators, hotels, tourism-related activities, hospitals and so on. Under Single Window Scheme of SIDBI, SFCs have also been extending working capital along with term loans to mitigate the difficulties faced by SSIs in obtaining working capital limits on time.

State Industrial Development / Investment Corporation (SIDC/SIIC)

It is set up under the Companies Act, 1956, as wholly owned undertakings of the State governments, act as catalysts in respective states. SIDC helps in developing land providing developed plots together with facilities like roads, power, water supply, drainage and other amenities. They also extend assistance to small-scale sector by way of term loans, subscription to equity and promotional services. 11 out of 28 SIDCs in the country also function as SFCs and are termed as Twin-function IDCs.

State Small Industrial Development Corporations (SSIDC)

It is established under Companies Act, 1956, as State government undertaking, caters to small, tiny and village industries in respective states. Being operationally flexible undertakes the activities like (i) procure and distribution of scarce raw materials, (ii) supply of machinery to SSI units on hire- purchase basis, (iii) product marketing assistance, (iv) construction of industrial estates, allied infrastructure facilities and their maintenance (v) extending seed capital assistance on behalf of State government and (vi) providing management assistance to production units.

14.6 State Government Programme

14.6.1 Entrepreneurship Development Institute (EDI)

The Entrepreneurship Development Institute (EDI), Chennai was constituted by Government of Tamil Nadu as a ‘not-for-profit society’ in November 2001 primarily to fulfill the entrepreneurship training requirements in the State and to promote Micro, Small and Medium Enterprises in Tamil Nadu. From inception until 31.03.2015, EDI has conducted training programmes benefitting almost 1 lakh candidates.

The following are the aims

1. To promote Micro and Small Enterprises through entrepreneurship training.
2. To assist potential entrepreneurs who have ambitions to start their own enterprise.
3. To evolve multipronged strategies for entrepreneurship development.
4. To conduct training programmes under various schemes of the Government.
5. To facilitate employment generation through skill upgradation training.

Entrepreneurship development is a key aspect of employment generation and equitable economic growth. EDI’s mission is expected to be achieved by using innovative training techniques, using competent faculty, support and consultancy and quality teaching.

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14.6.2 Training Programmes

To address the problems of the educated unemployed, including women, a special grant of Rs. 5 crore was sanctioned by the Government to EDI in 2013-14. The assistance included Rs.4 crore for imparting entrepreneurship and skill training programmes and Rs.1 crore for administrative expenses of EDI. A total of 3757 persons were trained under various schemes.

a. **Entrepreneurship Development Programme**
   The Entrepreneurship Development programme (EDP) is aimed at providing training in the essentials of conceiving, planning, initiating and launching an economic activity or an enterprise. During the year 2013-14, 736 persons were trained under this programme.
b. **Faculty Entrepreneurship Development Programme**
   The programme is aimed at equipping teaching staff of colleges with skills and knowledge essential for inculcating entrepreneurial awareness and interest in students. 100 faculty members from 50 Engineering Colleges were provided training in 2014-15. The training was conducted in Chennai, Coimbatore, Madurai, Salem, Trichirappalli and Vellore.
c. **Entrepreneurship cum Skill Development programme.**
   The objective of this training programme was to provide skill ugradation so as to equip the trainees with modern technological skills and facilitating project selection. Training was organized in various trades, including machine shop practice, two wheeler repair, welding, fashion garments, food and fruit processing, web designing, hardware maintenance and networking, leather products, servicing of household electrical appliances etc. Under this programme 475 candidates were benefitted in 2013-14 and 400 during 2014-15.
d. **Technology Based Entrepreneurship Development programme**
   Training was given in specific technology areas i.e., leather, electronics and communication, solar energy, automobile technology etc., Under this programme 206 candidates were given training during the year 2013-14.
e. **Agripreneurship Development programme**
   The objective of the training programme was to supplement the efforts towards expansion in the agriculture sector by technology and management inputs and to promote ‘Agripreneurs’. Under this programme 117 agricultural graduates were trained through the Tamil Nadu Agricultural University, Coimbatore (2 batches), Tiruchirapalli, Madurai and the Annamalai University, Chidambaram in 2013-14.
f. **Cluster Awareness Programme**
   The cluster awareness programme was aimed at the development of enterprises in the aluminum, rice mill, auto components, motor pumps, textile, safety matches, cashew and coir industry clusters in the State. The Programme is expected to improve their operational performance and help them to sustain themselves in the face of global competition. 360 entrepreneurs participated in cluster awareness programmes during the year 2013-14.
g. **Establishment of Entrepreneurship Development**

Cells in Colleges EDI has implemented a scheme to set up Entrepreneurship Development Cells in 50 Higher Educational Institutions across the State. A grant of Rs.1 lakh was given to each institution to support this programme. The EDCs will implement activities for promotion of entrepreneurship culture among the students.

h. Women Entrepreneurship Development Programmes

(WEDP) The aim of the WEDP was to provide training to women to plan, initiate and implement economic activities and to promote own enterprises. 375 women were trained during the year 2013-14 and they were educated on opportunities and financial assistance available. The women entrepreneurs were motivated to start and manage their own business ventures.

i. Women Entrepreneur cum Skill Development Programme (WESDP)

Skills training in traditional and non-traditional activities in chosen trades were imparted to women, in addition to the basic entrepreneurial inputs required for a new entrepreneur. A total of 350 women were trained in 2014-15.

j. Mentorship Training

Mentorship training is provided to new entrepreneurs to avail the timely information relating to the market trends in the economy and to understand how to approach financial institutions and updated knowledge of acts, rules & regulations of the Government. The EDI has provided Rs.10 lakh to ten industrial associations at the rate of Rs.1 lakh per association for setting up Mentorship Centres in Coimbatore, Erode, Madurai, Chennai, Hosur, Salem, Ambattur, Guindy, Tiruchirapalli and Tirupur. 15

14.6.3 Training under Unemployed Youth Employment Generation Programme (UYEGP)

Under this scheme, 7 days training has been imparted to 4975 prospective entrepreneurs during the year 2014-15.

14.6.4 Training under Prime Minister's Employment Generation Programme (PMEGP)

Under this scheme, 10 days training has been imparted to1829 entrepreneurs during the year 2014-15.

14.6.5 New Entrepreneur cum Enterprise Development Scheme (NEEDS)

Under this scheme, for the year 2014-15, 25 days training programmes were conducted for the first generation entrepreneurs in several batches throughout the State and 811 persons were trained.

14.6.6 Women Entrepreneurship Development Cell in EDI

Women Entrepreneurship Development Cell has been established in the EDI to monitor the training programmes run by EDI for Women. The Cell guides women entrepreneurs to upgrade their technical skills, provide entrepreneurship training to women for self employment, to improve

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managerial capacity and infuse the spirit of entrepreneurship through various programmes. The Women Entrepreneurship Development Cell has conducted three conferences in colleges at Srirangam, Chidambaram and Madurai to create awareness among college students.

14.6.7 Solar Equipment Maintenance and Usage EDI

It is started in association with the Women Development Corporation of Tamil Nadu, had undertaken a programme to train 4000 women belonging to rural Self Help Group's (SHG) on the usage and maintenance of solar energy devices and equipments. These programmes have been implemented in all blocks across the State. 16.8 National Mission on Food Processing. During 2014-15 Entrepreneurship Development Programmes on Food Processing have been conducted in Thanjavur, Chennai, Dindigul, Vellore, Madurai and Thoothukudi for 300 candidates.

14.6.8 EDP and ESDP's sponsored by National Institute for Micro, Small and Medium Enterprises, Government of India NIMSME

It is a nodal agency under the Ministry of MSME, Government of India, had sanctioned Entrepreneurship Development Programmes and Entrepreneurship cum Skill Development Programme for 395 candidates in2014-15. Programmes were conducted on fashion designing for 30 candidates, two wheeler repair and maintenance for 30 candidates, leather products for 30 candidates, desktop publishing for 30 candidates, air conditioning, refrigeration and water cooler repair for 30 candidates, TIG / MIG welding for 30 candidates and Entrepreneurship Development Programme for 215 candidates totalling 395 candidates. A talent mela was conducted for the trainees of the EDI .

14.6 .9 Entrepreneurship Awareness Programme in Colleges

During 2014-15, EDI has launched a programme to create entrepreneurship awareness in 112 colleges in the state, including 62 Government Arts and Science Colleges and 50 Engineering Colleges. It is expected that 30000 students will be benefitted in the selected colleges. The programme is being conducted in 3 phases and is being implemented in collaboration with ICT Academy of Tamil Nadu. It is proposed to continue such programme in future also. In 2014-15, the first phase was taken up in 112 colleges. The programme will be completed in 2015-16.

14.6.10 Mentoring and support for Technology Incubators in Engineering Colleges

The EDI has launched an initiative to support the establishment and functioning of technology incubators in Engineering Colleges in the State. It is envisaged that EDI will function as a nodal agency to facilitate technical, financial and other advisory support to such incubators which are established in the State under schemes of the State / Central Government.

14.6.11 Efforts to improve efficiency / productivity

The EDI has initiated efforts to work with the National Productivity Council to create awareness among existing industrial clusters in the State for improving efficiency and productivity. During 2014-15, awareness programmes on lean manufacturing were conducted in Kumbakonam (stainless steel cluster), Chennai (printing cluster),Sivaganga (coir cluster) and Thoothukudi (salt cluster). The EDI shall provide requisite services to enable industries in these and other clusters to access funds and implement schemes to improve productivity and efficiency.

Check your Progress II

3. What do you mean by M-SIPS?

4.Brief explain the schemes for women entrepreneurs?

14. 7 Short Answer Questions

1. What are the schemes implemented for women entrepreneurs in India?
2. State the aims of Entrepreneurship Development Institute (EDI).
3. Write about the national award scheme in India.
4. What are the objectives of Prime Minister's Employment Generation Programme (PMEGP).
5. Give a short note on women entrepreneurship development cell in EDI.

14.8 Long Answer Questions

1. Analyse Prime Minister's Employment Generation Programme (PMEGP).
2. Discuss the ten most viable startup schemes in India.
3. Describe Rajiv Gandhi Udyami Mitra Yojana.
4. Explain the training programmes functioning under Enterpreneurship Development Institute(EDI).

14.9 Answer to check your Progress

1.

MUDRA – The Micro Units Development and Refinance Agency or MUDRA, is a flagship program by the government of India to provide funds to micro and small enterprises. No collateral is required to avail loan. It is applicable for manufacturing, trading, and even allied agricultural services. It has 3 modules, Shishu (loan up to 50,000), Kishor (Loan between 50,000 and 5 lakh) and Tarun (Loan between 5 lakh and 10 lakh).

2. **CLCSS** – Under MSME, the Credit Linked Capital Subsidy Scheme is a means to provide subsidy to manufacturing units who have upgraded their machinery with state-of-the-art equipment. This scheme is meant to encourage manufacturing units to buy the latest equipment, and facilitate technology upgradation.

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3. M-SIPS – The Modified Special Incentive Package Scheme provides capital subsidies to manufacturing and electronic units in sectors of technology hardware, IoT, automotive, renewable and non-renewable energy sources, nanotechnology, green technology, and aerospace and defense industries. Under this scheme, there's a provision for 20% capital subsidy in SEZ, and 25% in non-SEZ, for business units in manufacturing and electronics.

4. a. **Mahila Udyami Yojana (MUY):** IDBI has set up special fund under this scheme with corpus fund of Rs.5Crore to provide seed capital assistance to the women entrepreneurs intending to initiate projects in SSI sector. This scheme is implemented by SIDBI. 51% of equity should be managed by women.

   a. Stree Sakthi Package (SBI): Under this scheme, EDPS are exclusively designed and conducted for women entrepreneurs. Moreover, an amount of Rs.25000/- is provided without collateral security.

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