



Startup and New Venture Management

Dr. Jyoti Gogte



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Vishwakarma Publications

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In the form of 'Pushp',



*this book is dedicated in
loving memory of my dear Parents
who have always believed in Life Building Values!*

*I also respectfully offer gratitude to my Gurus
who developed me and encouraged me
in all knowledge building endeavours subtly and expertly!*

PREFACE

When we pick up any book on start up or entrepreneurship, everybody tries to find, whether this book will give direction for the areas like

1. What if I fail?
2. What if I go wrong?
3. What if it does not work?
4. What if I go bankrupt? etc.

A startup is an idea, which is looking for scalable, repeatable & profitable business model.

Once the business model is found, set it right from all angles and then transition stage comes where you start regulating cash flow, reach and cross break even and start making the model profitable, make an attempt to introduce it to more customers and raise the scale of operations.

Running a business is challenging. It takes a lot of time, effort, hard and smart work, still why so many people start a venture & how they run it successfully?

There is a significant correlation between feeling in control of one's own life and happiness levels. Every human being needs freedom to think, do things, prove himself /herself and get satisfaction. Running your own business can provide you with a tremendous source of self-satisfaction and pride.

Remember the type of business that you enter should complement your experience, interest and/or technical knowledge.

Two other factors that are equally as important are:

1. Is there a need for the goods and/or services you are going to offer?
2. Will there be a market for your product in the future?

Demands, technology, and innovations all influence the opportunity for any business to be and remain successful. Desire and persistence along with innovative thinking help to overcome the odds.

I entered the business world at my age of 25. I thoroughly enjoyed my entrepreneurial career, which was the most challenging and rewarding experience. I loved intellectual freedom, autonomy and flexibility in my professional life. In my work-life balance I always believed 'Change of Work is Relaxation'.

Entrepreneurship as a pursuit is very close to my heart. With the same zest and passion I have composed this book.

This book is a combination of my own experience in manufacturing, trading & service sector & also considerable research in the field.

This book will encourage and instill a spirit of entrepreneurship. It will seize the unique opportunity and make a successful career through self-employment. It will provide an overview of the competencies needed to become an entrepreneur.

This book is for those

- students who are studying Entrepreneurship as a subject.
- who have never thought about starting up your own business until now, I recommend you to read it - one never knows. You might decide to start your own business at any moment of time.
- all aspiring entrepreneurs who use the term 'start up' literally hundreds of times
- existing entrepreneurs and
- to those who are almost sure that they will never be able to start their own business, I recommend to read this book, since it can help them better understand how their employers (business owners) think. This understanding can help them better position themselves in the eyes of the owner, and thus get more benefits.

This book gives you a realistic picture of what to expect when starting and running your own business. It gives you the tools necessary to get your small business started and make it work and will help you to realize your dreams. Remember today's accomplishments were yesterday's impossibilities.

I would like to thank the ALMIGHTY, the power of passion for keeping me inspired during my entrepreneurial journey.

I wish to express my deep sense of gratitude to my PhD guide Dr C.G.Vaidya for developing the research aptitude in me and dedication to work.

Special thanks to Ms Ishita Dharap for the indicative and apt visuals, proof readers and the staff the publisher.

Sincere thanks to my family, friends who gave me support all along.

I hope that you will enjoy the journey ahead in reading this book.

Happy Entrepreneuring!

Introduction

In today's rapidly changing world, people who are not taking risk are the risk takers.

- This book equips aspirants to successfully launch a new venture, recognize entrepreneurial opportunities, and instill a spirit of entrepreneurship to make a successful career through self-employment.
- In a practical way, aspiring entrepreneurs are taken on a designed path to discover the intricacies of Entrepreneur, Entrepreneurial process, Business idea generation, Setting up small enterprises, Preparing business plan and feasibility report, Role of support institutions in start ups, Legal set up for business, Key variables explaining business success and failures and many more.
- The design and flow of thoughts in this book are aimed at raising awareness, enhancing knowledge and sharpening the skills. Along with text, visuals, diagrams, a useful technique like mind maps are used to learn more effectively, remembering information in a format, which is easy to grasp and quick to review.
- This book will enhance reader's ability to scan the environment by sensing the opportunities that could be turned into potential ventures, to put their efforts in venture, which have good marketability to cope with new challenges and explore opportunities.
- This book contains fifteen comprehensive chapters. Each chapter comprising of theory, illustrations, diagrams, mind maps and inputs.
- There is no substitute for initiating a start up. *Remember what is not started will never get finished.*
- This book is an endeavour to give key learning experiences by exposing aspiring entrepreneurs to a diversity of vital issues of Start ups and Venture Management.

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DGS & DNSIC, export & import, how to apply for assistance – procedure, forms, procedures for obtaining contract from Railways, Defence, P & T etc., SIDBI.	10
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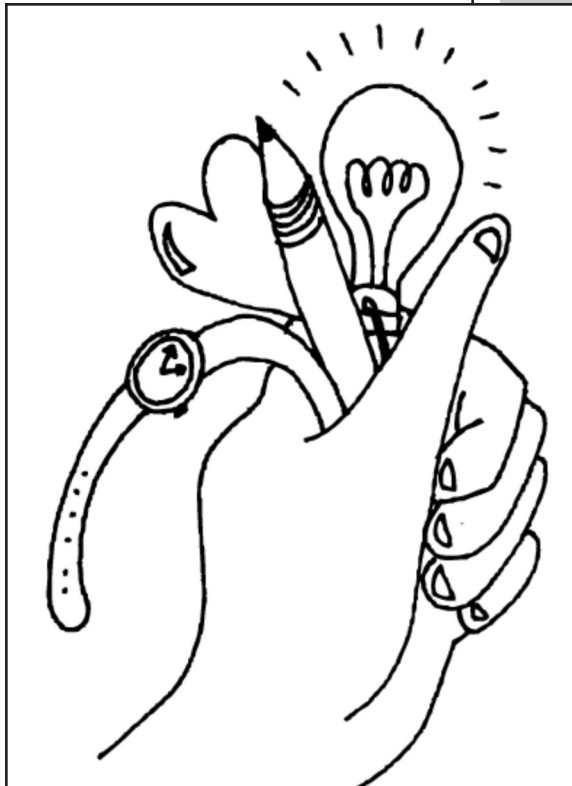
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ENTREPRENEUR -
ORIGINATOR,
CREATOR

ENTREPRENEUR - ORIGINATOR, CREATOR

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- B. Start Ups and Entrepreneurship**
- C. How Startups Evolve**
- D. What Startups Need**
- E. The Entrepreneur: Definition & Concept Typology & Classification**
- F. Role and Tasks of an Entrepreneur**
- G. Entrepreneurial Skills & Competencies**
- H. Manager vs. Entrepreneur vs Intrapreneur**
- I. Entrepreneurship as a Career Option**

A. Introduction

Business ideas are all around us. They may come from your office, in your kitchen, in your children's room, in magazine ads, at your neighbours house and at work, in the stack of papers next to your laser printer or at the back of your mind.

If you have a fantastic idea that can make a marked difference in people's lives then this is the age to work on it. Today we are at a stage where there is a whole fertile ecosystem that can support an idea and take it to a commercially viable stage. There are investors looking for the next Twitter or Facebook, which will create a burst of economic activities around it. These innovations have changed how marketers are promoting their products or engaging with customers. There are tools like Cloud solutions ready to help accelerate your idea at a rapid pace. Whether you become a small business owner or start-up entrepreneur will depend on your life's objectives. If there are risks, so is the chance of immense satisfaction and contentment. If you love what you do, your passion for the business will drive you to be knowledgeable, creative and persistent.

You just need to spot the ideas and turn them into profits. You need to see a need in the world around you and find a way to fill it.

Three lines from the poem *'The Road Not Taken'* of Robert Frost

Two roads diverged in a wood, and I—
I took the one less traveled by,
And that has made all the difference.

B. Start Ups and Entrepreneurship

In this growing climate of self – employment, business and entrepreneurship; start-ups are often confused with small business. Let us clear the facts.

Start-ups are not small business. Entrepreneurship is also not small business.

Start-up Entrepreneurship vs. Small Business

This nation was built by men who took risks - pioneers who were not afraid of the wilderness, business men who were not afraid of failure, scientists who were not afraid of the truth, thinkers who were not afraid of progress, dreamers who were not afraid of action.

~Brooks Atkinson on America - American Journalist

A start-up entrepreneurship is different from small business. There are three fundamental differences –

1. Start-ups take shape due to an innovative idea, which has the potential to change an existing order. E.g. How USB pen drives revolutionized storage from CDs and DVDs.
2. Entrepreneurs pursue start-ups, as they are ready to move out of their comfort zone and past the tried and tested. Small business can be a bakery or beauty parlor. The rules of the game are established. Business models are in place that can be pulled here and there to increase profitability. Whereas start-ups can take the world by storm and function across borders, small business is restricted by its geographic presence and reach. When Computerised Tomography (CT scan for body image) was developed, that was a start-up idea.
Manufacturing generic pharmaceuticals using a well-documented master manufacturing formula is small business.
3. Start-up entrepreneurs are risk takers. When they start off, the vision is unclear. Learning happens along the way. But once start-ups hit the tipping point, it simply grows in geometric proportions unlike small business, which continues to remain small.

The difference is between doing something new and revolutionary or doing something that is generic.

C. How Start-ups Evolve

Let us take the example of Edutor Technologies (www.edutor.in). Their website says – “Edutor’s Augmented Classroom Solution enables Schools & Coaching Institutes to leverage the power of Tablets in engaging students – within the classroom and at home. The solution is designed to lighten the school bags of students and drive effective learning

- through enriched learning materials and by facilitating individual attention and focus from the teacher.”

They created a solution that digitizes school textbooks and other learning material so that students no longer need to carry heavy school bags and as many books to school and back as before, but can access study material on their touch screen tablets. They can even take tests and submit them digitally using the same tablets, and the teachers in turn can download the tests using the company’s cloud services. The teacher can act on the data rather than having to collect it.

Today there is a technology available to address the issue, which not only reduces the weight of the school bags but makes learning more enjoyable and interactive. All of us have learnt in school how Sun powers the water cycle. It was a simple diagrammatic representation that we drew in our notebooks. Today students can see a video with a supporting audio to understand the entire process in an interactive form. Which is more effective?

A start-up starts with an idea. The entrepreneur realizes that not only there is a problem, but a probable solution to address it and convert the entire experience into something more pleasant, efficient and superior result-driven. Everything is unclear at this stage but the entrepreneur has faith in his idea.

IDEA → PLAN → ACTION

D. What Start-ups Need

What start-ups need is freedom to dream and experiment. An idea can get choked if it is not allowed to breathe. An established business with a tried and tested business model that is profit making can form a small subsidiary and venture into a start-up. Once it gains grip, funds can be channelized to create momentum and fuel its growth. In case of start-ups, it is the strength of the idea that attracts investors.

A start-up benefits enormously through business incubators and accelerators.

So, is a start-up for everyone? Today with the hype and glamour surrounding start-ups there is a real danger that all and sundry would take the plunge without being fully aware of the rigours and tensions of start-up life. Here are some pointers to help you decide if a start-up is for you. Or if you are better off wherever you currently are.

1. **Passion:** This is the key requirement. You must feel the burning need to be a successful entrepreneur deep in your bones and believe in yourself, the team and the opportunity. You must be willing to be consumed by the business especially in the formative years. Passion will help cope with the excitement and glamour of a start-up as distinct from the reality.

2. **Resource constraints:** Are you willing to give up a cushy corporate lifestyle and the accompanying trappings and luxuries? Are you willing to manage with few resources, handle the immense pressures on your time (especially when it affects time with family and when you have to work well beyond the 9 to 5 routine!) and yet “give it all you have” performances? Are you willing to have your quality of life negatively affected? Are you physically and mentally healthy? Can you handle 12 to 14 hour days, 6 to 7 days a week for about the first year?
3. **Self-confidence:** Do you have the self-confidence to realistically believe in your capabilities and harness the opportunity in the market? Can you communicate this self-confidence to your team mates? Do you have the self-confidence to convince hard-nosed investors that they’re looking at the opportunity of a life time? Self-confidence will help you cope with rejection.
4. **Humility:** Are you humble enough to learn from others? Even if they are much younger? Are you willing to listen to others? Are you humble enough to go knocking on doors asking for help and advice? Are you willing to suspend your ego and contribute to the building of the company? Or do you think, “Taking out the garbage is not my job; I’m the Owner?”
5. **Team Player:** Are you individualistic or are you a team player? Do you share or hoard information? Do you help others on your team with their jobs? Is there a trust between team members? Is there a single minded focus and belief on the objectives and goals in the team or are you there for your personal agenda? Can you delegate with confidence?
6. **Knowledge:** Do you have the required functional and business knowledge and expertise? Are you keen on continuous learning? Are you aware of the market, business and technology dynamics and trends? Can you command the respect of the board, investors, and others with your knowledge and awareness?
7. **Time Sensitivity:** Are you sensitive to the most valuable resource, namely time? Can you make quick decisions with less than perfect and inadequate information? Are you willing to change all 4 wheels of a moving car?
8. **Communication:** Are you an effective written and oral communicator? Are you an effective verbal and oral communicator? Can you communicate with your team, motivate and charge them? Can you communicate with the board and investors effectively?

E. The Entrepreneur: Definition & Concept

The Entrepreneur:

The concept is inter-disciplinary in nature, diverse and sometimes-conflicting views are put across on the subject of who an entrepreneur is. The economists, for example, have concentrated on entrepreneurship instead of the entrepreneur.

The word 'entrepreneur' is derived from the French verb "*entreprendre*". It means, "*to undertake*"

Historically, the first reference made to the term entrepreneur can be traced as far back as in the sixteenth century in the literature of France. The term was used to refer to a leader of a military expedition and then later to an architect and the contractors of public works.

Richard Cantillon (1755) was the first French economist to introduce the term in economic literature by using it to refer to the dealers who bought the commodities of the country. He defined the entrepreneur as an agent who purchased the means of production for combination into marketable products. He excluded princes, land owners and salaried workers from this class. Since then the term entrepreneur has come to be used widely and the concept of the entrepreneur has been developed by eminent economists like Jean Baptise Say, Adam Smith, Francis A. Walker, John Bates Clark, Frank Knight and Joseph A. Schumpeter.

J.B. Say (1803) identified the entrepreneur as an organizer of the business. According to him the entrepreneur as an organizer unites all the means of production for which he pays them interest, wages, and rent and hopes to earn profit for himself.

J.B. Say and F.A. Walker emphasized the distinction between capitalists as providers of capital and entrepreneurs as risk-takers by distinguishing between interest paid to the capitalists and profits earned by entrepreneurs.

Adam Smith, on the other hand, saw entrepreneurs and capitalists as close to each other. He did not see the distinct role of the entrepreneur as leader and director of activities.

For quite sometime, economists were in agreement that an entrepreneur was essentially a risk-taker. For example, Adam Smith (1937) identified him as a capitalist who risked his wealth in establishing a business, Cantillon, Say and Walker also saw him as the one who took risks and performed the functions of owner, planner, organizer and supervisor.

Frank Knight (1921), while defining an 'entrepreneur' called him a manager of uncertainty and explained that the profit was a residual share arising because of uncertainty and accruing to the entrepreneurs for undertaking that ultimate responsibility which by its very nature cannot be insured.

Clark explained the direct link between entrepreneurial profits and successful introduction of technological, commercial and organizational improvements in the economic process. He implied that innovation was the hallmark of entrepreneurial function.

A significant contribution towards the understanding of the term entrepreneur was made by Joseph A. Schumpeter (1947). The context of Schumpeter's analysis was a perfectly competitive market in which with the given consumer tastes and technologies there existed a state of perfect equilibrium. Schumpeter saw the entrepreneur as one who upset this state of equilibrium by introducing new products or services, new method of production, new way of marketing or a new way of organizing. According to him, an entrepreneur was the one who made new combinations of the means of production.

As against the assumption of perfectly rational and competitive market by classical economists, Schumpeter assumed a political economy which included routine business practices, sunk costs, relatively fixed consumer habits, laws, and social conventions operating often against the entrepreneur. In order to overcome all these, the entrepreneur in the Schumpeterian sense had to be the one who possessed unusual traits of character and was also motivated by non-economic incentives such as the job of creating sometimes of getting things done, or simply exercising one's energy and ingenuity.

An entrepreneur was a multi-role character performing the roles of owner, manager, financier and promoter. Merely becoming the head of a firm, in his opinion, did not make one entrepreneur as it need not involve him to make a new combination of means of production.

Cole (1959) who worked with Schumpeter modified the Schumpeterian model a bit. Instead of concentrating on individual actors, he equated entrepreneurship with significant managerial functions. He defined an entrepreneur as one who was engaged in a purposeful activity, or in taking an integrated sequence of decisions. The term entrepreneur could include an individual or a group of individuals undertaking to initiate and/or organize a profit-oriented business unit for the production and/or distribution of economic goods or services.

By the end of mid-twentieth century, a certain degree of consensus had emerged as to the major functions of an entrepreneur and the process of entrepreneurship.

The economists seemed to agree on three basic functions of an entrepreneur, namely, innovating, risk-taking and coordinating /managing.

Considering these three major functions, an entrepreneur for the purpose of this study has been defined as the one who, by breaking away from his past background, started a new manufacturing enterprise (making a noticeable impact on the industry and society) which was subsequently coordinated and managed by him. A brief comment on these three functions is in place here.

1. Breaking away from the past background:

A significant number of the entrepreneurs covered in this study exhibit the characteristic of moving away from their past background to pursue a career of establishing and running an enterprise. A few of them who did have some enterprise-base showed a distinct shift in the scale, scope and style after they were inducted.

2. New Manufacturing Enterprise:

The study mainly covers those entrepreneurs who established new manufacturing enterprises by bearing financial and non-financial risks and have successfully created niches in terms of product market and technologies. These entrepreneurs have achieved a faster growth rate than that of the industry and made an impact on the industry and the society. They set up new enterprises, achieved remarkable growth and generated a powerful impact in the spheres of market, technology, or society. e.g NIRMA, MRF

3. Co-ordinated and managed by the same person:

The term entrepreneur includes the functions of co-ordination and also managing the enterprise. They actively participate in co-ordinating and managing the activities of their enterprises.

The risk taking behaviour of the entrepreneurs runs through all the three elements of the definition. When a person breaks away from his background to start a new manufacturing enterprise, he risks his previous career, sacrifices some of his and his family's comforts, stakes his reputation and so on. The risk-taking behaviour continues even at the stage of co-ordination and managing when he makes such decisions as to undertake expansion, to affiliate, to diversify in an unrelated product line or to try out a new technology.

Characteristics of an entrepreneur

- Total commitment, determination and perseverance
- Drive to achieve and grow
- Orientation to goals and opportunities
- Taking initiative and personal responsibility
- Persistence in problem-solving
- Honesty and a sense of humour
- Seeking and using feedback
- Internal locus of control
- Tolerance of ambiguity, stress and uncertainty
- Calculated risk-taking and risk sharing
- Low need for status and power
- Integrity and reliability
- Decisiveness, urgency and patience
- Coping with failure

- Team builder and hero maker
- High energy, health and emotional stability
- Creativity and capacity to be innovative
- High intelligence and conceptual ability
- Vision and capacity to inspire.

Characteristics of an entrepreneur

Based on Functional Characteristics	<ol style="list-style-type: none"> 1. Innovating Entrepreneur 2. Imitative Entrepreneur 3. Fabian Entrepreneur 4. Drone Entrepreneur
Based on Developmental Angle	<ol style="list-style-type: none"> 1. Prime Mover 2. Manager 3. Minor innovator 4. Satellite 5. Trainer
Based on Types of Entrepreneurial Business	<ol style="list-style-type: none"> 1. Manufacturing 2. Wholesaling 3. Retailing 4. Agricultural Service
Based on use if technology	<ol style="list-style-type: none"> 1. Technical entrepreneur 2. Non-technical entrepreneur: 3. Professional entrepreneur:
Based on stages in Development	<ol style="list-style-type: none"> 1. The Improver 2. The Advisor 3. The Superstar 4. The Artist 5. The Visionary 6. The Analyst 7. The Fireball 8. The Hero 9. The Healer
Based on 9 types of personality of entrepreneurs	
Based on types of motivation	
Based on Area	
	<ol style="list-style-type: none"> 1. Urban Entrepreneur 2. Rural Entrepreneur
Based on type of Gender	<ol style="list-style-type: none"> 1. Male Entrepreneur 2. Female Entrepreneur

Entrepreneurial Typologies:

Webster defines the word typology as “the study of types, symbols or symbolism”.

In the field of entrepreneurship, typology is the term generally used to describe classifications of types regardless of their basis.

In entrepreneurship it is possible to establish and study different types within separate entrepreneurial categories, such as intrapreneurs, small business owner-managers, family business owner-managers, the self-employed, micro-enterprise owner-managers, entrepreneurs in general and entrepreneurs divided into more specific categories, such as technopreneurs (technological entrepreneurs), social entrepreneurs and collective or cooperative entrepreneurs.

Criteria most commonly used to develop entrepreneurial typologies

- Original-concept
- Commitment
- Vision
- Delegation
- Purpose
- Independence
- Locus of control
- Ability to adapt
- Creativity
- Innovation
- Need for achievement
- Need for power
- Need for recognition
- Need for security
- Attitude to growth
- Attitude in interpersonal relations
- Attitude to profits
- Attitude to risk
- Leadership style
- Management style
- Decision-making
- Strategic style

Typology of entrepreneuring

I Subdividing Corporate Entrepreneurship

II Subdividing Individual Entrepreneurship

I Subdividing Corporate Entrepreneurship

i. Enterprise Turnaround

Enterprise-level entrepreneuring is the total redefining of the purpose for which the organization exists. Enterprise-level entrepreneurial activity is called for when the purpose for which the organization exists becomes identified as either being unattainable or obsolete.

ii. Corporate Turnaround

Corporate level entrepreneurial activity can be defined as the radical restructuring of the portfolio of business units that make up the corporation, or the transformation of the organization through renewal of the key ideas on which it is built. This type of entrepreneurial activity can be called “Corporate Turnaround.” It is not necessary for a corporation to be suffering losses or even to be diagnosed as having a problem for a corporate turnaround to be initiated.

iii. Business Turnaround

Bringing about the strategic renewal of an existing business unit, sometimes called a “Business Turnaround.” Transformation of a business unit through the process of Business Turnaround is a form of entrepreneurial activity whether the business unit is one of many in a corporation’s portfolio or is the only business unit within a single-business organization.

iv. Corporate Venturing

Founding a new business unit, sometimes called “Corporate Venturing,” is the first form of business-level entrepreneurial activity. This is, perhaps, the most widely recognized form of corporate entrepreneuring.

v. Product / Process Development

Development of new products, new processes, new product / process technologies, that result in a strategic renewal of a function or group within an organization, i.e. finding new ways for the unit to do business, are Functional-Level Entrepreneuring. The accounting manager who radically refocuses an old fashioned bookkeeping department into an aggressive, service-oriented, customer-driven information group, serving inside customers and outside customers alike, has engaged in Functional-Level Entrepreneuring.

II Subdividing Individual Entrepreneurship

The first classification factor used for subdividing independent entrepreneurship is growth potential.

i. High Growth-Potential New Venturing

New and small businesses contribute a lot to the economy to what he calls

“entrepreneurial” (or “high growth- potential”) firms. There are two types of high growth-potential new venture activities, and the conceptual driver that motivates the entrepreneurial activity, be it a market need or a new technology can differentiate them.

ii. Need-Driven New Venturing.

High growth-potential new venturing is “Need- Driven New Venturing.” An entrepreneur or entrepreneurial team notices an unfulfilled need in the marketplace and sets out to fill it. The entrepreneur may know little about the technology or the product, but he/she can see the need.

iii. Technology-Driven New Venturing.

High growth-potential entrepreneurial activity is “Technology-Driven New Venturing.” The Technology-Driven New Venture comes into being because of the entrepreneur’s desire to make the technology accessible. Many of the high-flyers in the leading-edge technologies are Technology-Driven New Ventures.

For example, when Steve Jobs founded Apple Computer, it was his espoused dream to make computing accessible to everyone, thereby changing the world.

iv. Low Growth-Potential New Venturing

Low growth-potential new ventures are not as exciting as high growth-potential new ventures. In Low Growth-Potential New Venturing, the goal is income, not growth. Low growth-potential new venture activities can be classified based on the income potential of the venture into three types, Income Substitution, Income Supplementing (part time), and Hobby / Lifestyle New Venturing.

v. Income Substitution New Venturing.

An Income Substitution New Venture is founded with the intent of replacing the income of an individual or family. New Ventures is not to create an organization that will rapidly grow to major corporate status. Their primary intent is, instead, to generate an income comparable with what the individuals involved in the business could make working for someone else. Most small family businesses are Income Substitution businesses.

Sometimes negative life events drive an individual or a couple to found an Income Substitution firm. Loss of a job, immigration to a new land, etc., can lead individuals, couples, or partners to form ventures, which provide an income for their families. Sometimes these ventures are successful enough that they grow into sizeable organizations e.g. the grocery chain or restaurant chain that started with one unit and grew to several units over years. In the Income Substitution venture, however, the reason for the growth is to increase the income and livelihood of the founding owners.

As an example, when the McDonald brothers Richard & Maurice founded McDonald's Hamburgers, it was an Income Substitution entrepreneurial venture, and since it was a successful venture it grew to be a good sized operation. However, when Ray Kroc bought the franchising rights to the McDonald's formula, the McDonald's Corporation that he built was a High Growth-Potential entrepreneurial venture from the outset, founded with rapid growth and coast-to-coast coverage as primary goals of the organization.

vi. Income Supplementing (Part Time) New Venturing.

The second type of Low Growth- Potential New Venturing is Income Supplementing (part time) New Venturing. A classic example of the Income Supplementing New Venture is a consulting business started by a professor. Most professors who start consulting businesses have no intention of giving up their faculty positions to consult full-time. This desire to keep the consulting business on a part-time basis severely limits the growth potential of the business.

vii. Hobby or Lifestyle New Venturing.

The third type of low growth-potential new venturing is Hobby or Lifestyle New Venturing. Hobby or Lifestyle Ventures are started with the intent of helping the founder to pay some of the expenses of the hobby or activity itself. The venture is not really intended to make a profit, but rather, to decrease the cost of the hobby.

Classification of Entrepreneurs

I Based on Functional Characteristics

- i. Innovating Entrepreneur:** One who introduces new products, inaugurates new methods of production, discovers new market and reorganizes the enterprise.
- ii. Imitative Entrepreneur:** One who is ready to adopt successful innovations inaugurated by innovating entrepreneurs.
- iii. Fabian -** One who is very cautious and skeptical about experimenting any change in the enterprise.
- iv. Drone Entrepreneur:** One who refuses to adopt opportunities to make changes in production even at the cost of severely reduced returns.

II Based on Developmental Angle

- i. Prime Mover:** This entrepreneur sets in motion a powerful sequence of development, expansion, and diversification of business.
- ii. Manager:** Such an entrepreneur does not initiate expansion and is content just staying in business.

- iii. **Minor innovator:** This entrepreneur contributes to economic progress by finding better use for existing resources.
- iv. **Satellite:** This entrepreneur assumes a supplier's role and slowly moves towards a productive enterprise.
- v. **Local trading:** Such an entrepreneur limits his enterprise to the local market.

III Based on Types of Entrepreneurial Business

- i. **Manufacturing:** An entrepreneur who runs such a business actually produces the products that can be sold using resources and supplies.
- ii. **Wholesaling:** An entrepreneur with such a business sells products to the middle man.
- iii. **Retailing:** An entrepreneur with such a business sells products directly to the people who use or consume them.
- iv. **Agricultural:** An entrepreneur with production and marketing of agricultural inputs and outputs.
- v. **Service:** An entrepreneur in this business sells services rather than products.

IV Based on use of technology

- i. **Technical entrepreneur** – Production oriented, possesses innovative skills in manufacturing, quality control etc.
- ii. **Non-technical entrepreneur:** Who develops marketing, distribution facilities & strategies
- iii. **Professional entrepreneur:** Uses the proceeds from sale of one business to start another one. Brimming with ideas to start new venture.

V Based on the Nine Personality Types of Entrepreneurs

- i. **The Improver:** If you operate your business predominately in the improver mode, you are focused on using your company as means to improve the world.
- ii. **The Advisor:** This business personality type will provide an extremely high level of assistance and advice to customers.
- iii. **The Superstar:** Here the business is centered on the charisma and high energy of the superstar CEO.
- iv. **The Artist:** This business personality is the reserved but a highly creative type. As an artist type you'll tend to build your business around the unique talents and creativities that you have.

- v. **The Visionary:** A business built by a visionary will often be based on the future vision and thoughts of the founder.
- vi. **The Analyst:** If you run a business as an Analyst, your company focus in on fixing problems in a systematic way. Often the basis for science, engineering or computer firms, analyst companies excel at problem solving.
- vii. **The Fireball:** A business owned and operated by a fireball is full of life, energy and optimism.
- viii. **The Hero:** You have an incredible will and ability to lead the world and your business through any challenge.
- ix. **The Healer:** If you are a healer, you provide nurturing and harmony to your business. You have an uncanny ability to survive and persist with an inner calm.

VI Based on Types of Motivation

- i. **Pure Entrepreneur:** Individual who is motivated by psychological and economic rewards. The basic objective is to earn profit.
- ii. **Induced Entrepreneur:** One who is induced to take up entrepreneurship due to government assistance, rewards, concessions etc.
- iii. **Motivated Entrepreneur:** Motivated by the desire for self-fulfillment & self-actualization.
- iv. **Spontaneous Entrepreneur:** These entrepreneurs start business by their natural talent.
- v. **Based on Stages in Development**
- vi. **First generation entrepreneur:** Innovator, risk taker, among the first in family to enter business
- vii. **Modern entrepreneur:** Who considers feasibility of business, which can adapt to change and dynamic market
- viii. **Classical entrepreneur:** One who gives more importance to consistent returns than to growth; concerned about customer and marketing needs

VII Based on Types of Area

- i. **Urban Entrepreneur:** One who has his industrial unit in urban area and has engaged workers from that area.
- ii. **Rural Entrepreneur:** One who has its industrial set up in rural area and has engaged workers from the same area.

VIII Based on Types of Gender

- i. **Male Entrepreneur.**
- ii. **Woman Entrepreneur.**

F. Entrepreneurial Role and Tasks

An entrepreneur is a person who takes risk of setting up his own venture for perceived returns. He is a person who initiates the ideas, formulates a plan, organizes resources and puts the plan into action to achieve his/her goals. Entrepreneurs have specific qualities, they have special strengths which they draw upon for their adventure into business. To start and succeed in your enterprise you are required to play different roles at different stages of your enterprise.

When the organisation moves from phase 1 to Phase 5 the journey from being a new 'enterprise' to becoming an established institution is a most tricky, delicate & challenging role.

The theory of organizational behavior distinguishes five classic phases in the development of an organization.

Phase 1: Enterprise / Creativity

Phase 2: Establishment / Professional Management

Phase 3: Delegation of Authority

Phase 4: Coordination between the various parts of the organization

Phase 5: Cooperation between the various parts of the organization.

Key roles of an entrepreneur

In your own business you have the vision of doing what you love to do every day with passion. As you ramp up for success, there are key roles every business owner needs to play the roles of ...

- 1. The Architect: Big-Picture Planning** Entrepreneurs set the vision, and culture around a big and daring goal. In doing so, they must have a general plan for where they want to go, but they should not get hung up on developing the perfect plan. Their thinking should be like an architect in the concept and design development phase rather than one in the detailed schematic phase. The details of every initiative should change with new customer and market feedback. This is why the best venture capitalists bet first and foremost on the people and second — and it's a distant second — on the plan. There is no doubt that it's easier to adjust a plan than it is to adjust people. Plans at the start-up stage need a clear purpose and the top few priorities for achieving it, but many other aspects, including product development, have to be viewed as a first direction at this point in time.
- 2. The Storyteller: Researching and Selling** Great entrepreneurs need to be constantly selling the story of their vision, as well as researching how it should evolve. Whether

raising funds, evangelizing the vision among employees, recruiting top new talent, or selling the product itself. An entrepreneur needs to constantly pitch and act as the enterprise's chief storyteller.

3. **The Disciplinarian: Executing** Excellent execution comes from adhering to a tight set of controls and operating principles.
4. **Chief Customer Officer.** Let's face it – if you don't have customers, you don't have a business. Here's the challenge many business owners face: they confuse great customer experience with great customer service. For example, they think smiling, saying thank you and being nice will get them where they need to go which is no longer the case. The customer experience involves every touch point a customer has with your business and isn't about tactics, it's about creating a true customer experience strategy and then executing on it.
5. **Chief Financial Officer.** The part of running a business almost everyone would like to get rid of – bookkeeping, accounting and tax. The reality is these are some of the most important functions in your business and your numbers actually tell a story – a story of where you've been, how healthy your business is and what you should change to be successful in the long term. If numbers is not your area, find someone who loves them (like an accountant or bookkeeper) and make sure you have regular, proactive, ongoing communication with them & also learn the basics of financial fundamentals & analysis.
6. **Chief People Officer.** You may not have employees yet but nonetheless, you're now in a leadership role. The most important person you need to look after? You! It's easy as an entrepreneur to get caught up in everything that needs to get done and find yourself working all hours of the day and night. Doing something you love and are passionate about makes time fly by. Make sure you take time to look after you and exercise, eat properly and get some rest and time for different activities. You'll need it to keep fueling the passion!
7. **Chief Executive Officer.** The CEO of any company spends a great deal of time looking at the big picture, planning for the future and creating a vision. At the same time, when you're running the show, it's easy to get bogged down in the details. Make sure you are spending a significant amount of your time on the strategy – it's what which will lay the foundation for your future success.
8. **Chief Innovation Officer.** So this may not be the most common title but it's critical to your long term success and sustainability. In order to stay relevant, competitive and on the top of your game, you need to reinvent yourself – challenging the status quo, innovating and looking for new offerings that keep your customers coming back. Time spent innovating truly is an investment, so don't overlook how important this role is.

In the economic development role of an entrepreneur.

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

1. Promotes Capital Formation:

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

2. Creates Large-Scale Employment Opportunities:

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

3. Promotes Balanced Regional Development:

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

4. Reduces Concentration of Economic Power:

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

5. Wealth Creation and Distribution:

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

6. Increasing Gross National Product and Per Capita Income:

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

7. Improvement in the Standard of Living:

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

8. Promotes Country's Export Trade:

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

9. Induces Backward and Forward Linkages:

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

10. Facilitates Overall Development:

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

activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.

The first step is knowing which role your talents match most closely.

G. Entrepreneurial Skills and Competencies

Skills vs Competencies. What's the Difference?

The terms Skills and Competencies are used, virtually, interchangeably.

What is a Skill?

These definitions are extracted from a number of different sources, but they all seem to say, more-or-less, the same thing :

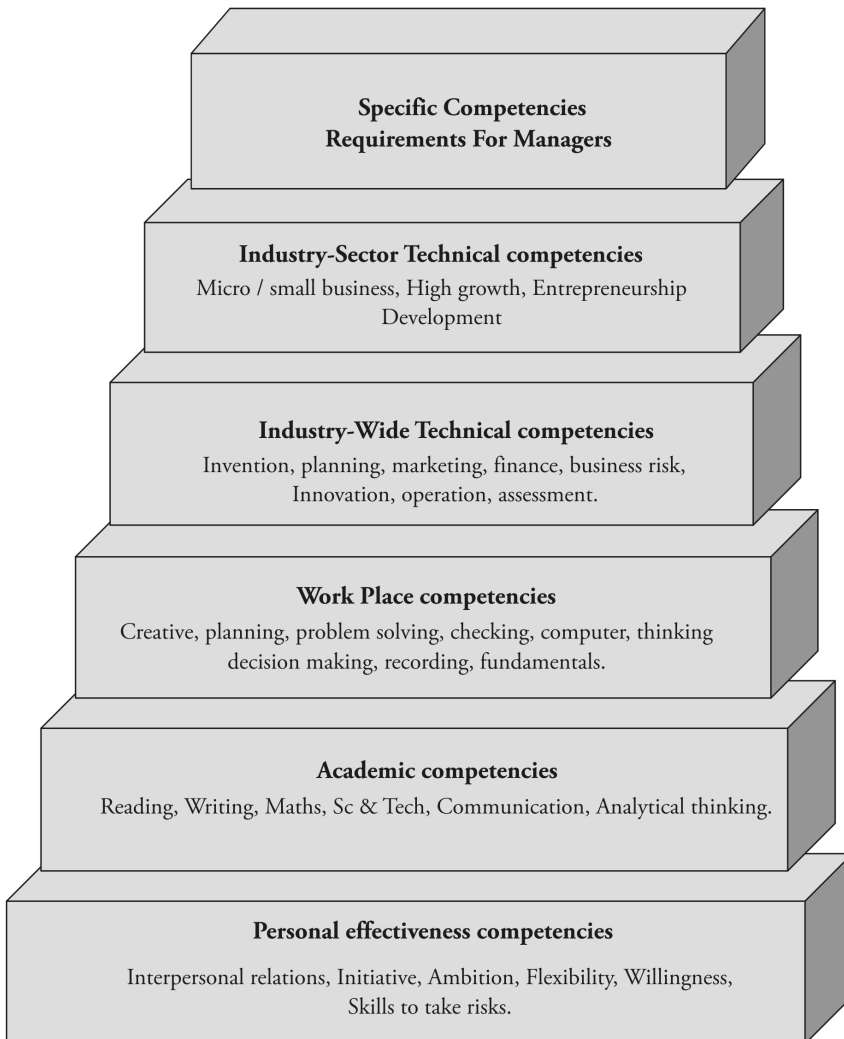
- Proficiency, facility, or dexterity that is acquired or developed through training or experience. The ability, coming from one's knowledge, practice, aptitude, etc., to do something well.
- An ability and capacity acquired through deliberate, systematic, and sustained effort to smoothly and adaptively carry out complex activities or job functions involving ideas (cognitive skills), things (technical skills), and/or people (Interpersonal skills).
- A skill is the learned capacity to carry out pre-determined results
- A learned ability to bring about the result you want, with maximum certainty and Efficiency. So, a Skill is something learned in order to be able to carry out one or more job functions.

What is a Competency?

Again, these definitions are extracted from a number of different sources:

- A cluster of related abilities, commitments, knowledge, and skills that enable a person (or an organization) to act effectively in a job or situation.
- Competencies refer to skills or knowledge that lead to superior performance.
- Measurable skills, abilities and personality traits that identify successful employees against defined roles within an organisation.
- A competency is more than just knowledge and skills. It involves the ability to meet complex demands, by drawing on and mobilising psychosocial resources (including skills and attitudes) in a particular context.
- A measurable pattern of knowledge, skills, abilities, behaviours, and other characteristics that an individual needs to perform work roles or occupational functions successfully.
- Competencies specify the "how" (as opposed to the what) of performing job tasks, or what the person needs to do a job successfully.

Specific Competencies for Managers



Skill is a part of competency. Competencies, therefore, may incorporate a skill, but are MORE than the skill, they include abilities and behaviours, as well as knowledge that is fundamental for using a skill.

An Example

In an IT context it is “Programming”. To effectively write a computer program one needs good analytical, logical, and interpretive ability as well as the skill to write the program in a specific language. So, learning Java, C++ etc. is a Skill. But underlying the ability to use that skill effectively is analytical, logical and interpretive ability – these are Competencies.

The reason that we suggest this is because it is relatively easy to learn other programming languages once one knows one language well (and I talk from personal experience). However, without the underlying Competence, it is virtually impossible to write an effective program – irrespective of the language.

One might have very good interpersonal skills or people skills, but may not be competent to start hotel industry unless I possess has adequate education, experience (Knowledge) and the right temperament/ attitude

While rating the skills, you have to determine what abilities are required to perform a job practically but while rating competency, you have to determine the set of abilities/ skills required along with the knowledge and attitude needed for the said job.

e.g. Singing is a skill... but yodeling (sing High) is a competency e.g. Surgery is a skills.... being ambidextrous (equally skillful with each hand) is a competency

While the soft skills used has a common set of skills for all the teams. These skills are mainly divided into five types:

1. Communication
2. Interpersonal
3. Personal/Motivational
4. Administrative
5. Managerial

1. Communication Skills

- a) **Written** – The capability of the individual to clearly communicate via any written mode of communication like letter, memo, emails etc. This mainly refers to the clarity, correctness and effectiveness of the communication.
- b) **Oral**- The capability of the individual to clearly communicate via oral mode of communication like discussion, lecture etc. This also refers to the clarity, correctness and effectiveness of the communication.
- c) **Presentation**- The capability of the individual to clearly present his/her thoughts, opinions and ideas to another person or group of people. This also refers to the clarity, correctness and effectiveness of the communication.
- d) **Listening**- The capability of the individual to listen, grasp and understand whatever is spoken to him/her. The ability to recall the same when needed with correctness and completeness also gives an insight into the listening effectiveness.
Telephone – The capability of the individual to communicate clearly, effectively and correctly through telephone.

- e) **Meeting Management** – The capability of the individual to plan, inform and conduct a meeting. This involves all the aspects of a meeting like location, atmosphere, agenda, and involvement. The individual should be capable enough to bring together the right people at the right time to discuss and bring out results in a focused and efficient manner.

2. Interpersonal Skills

- a) **Behaviour Flexibility-** The capability of the individual to change his/her behaviour according to the situations and circumstance to bring out a favourable result or solution. Especially needed when dealing with other employees.
- b) **People Perception-** This refers to the level of understanding that the individual has regarding the people he/she might be working with or might be in acquaintance with. The understanding of how others think, behave and act is a part of this skill itself and is an integral part for team building or leading a team.
- c) **Leadership-** The capability of the individual to lead a certain group of people to achieve a desired result or goal. This skill deals with empowering, guiding, motivating and controlling the team so as to get a combined effort towards goal attainment.
- d) **Group Process-** The capability of the individual to work in and as a part of a group. This skill mainly refers to the cohesiveness or abrasiveness that might be created by the individual and the effect of the same on the group.
- e) **Persistence-** The capability of the individual to have and impart a never ceasing attitude to all associated with him. The skill means to identify the resolute character that the individual might possess.
- f) **Negotiation/Conflict Management-** The capability of the individual to handle a conflict situation. This is the most important interpersonal skill and thus is more important. The individual must have the presence of mind and the clarity of thought and words in order to calm down an unpleasant situation and bring the wheels back in control. **Team Player-** The capability of the individual to get along with the team and work as an integral part of it for the benefit of the whole team. This measures the spirit that an individual brings to the team.
- g) **Persuasiveness / Influence-** This is the capability of the individual to persuade and influence the other members of the team, department or the organization. The image and credibility that an individual can build up in midst of the employees is a critical factor for this as it directly influences how others perceive him.

3. Personal / Motivational Skills

- a) **Stress Management-** The capability of the individual to keep his/her cool in a stressful situation and not let it adversely affect the quality or the quantity of work that is being accomplished. This is directly linked to the decision making skills and his mind should not be subdued by the stress while taking critical decisions.
- b) **Innovation / Creativity-** The capability of the individual to bring forth new and varied ideas which could be used directly or indirectly for the betterment of the organization, its processes and staff. **Adaptability -** The capability of the individual to quickly align with the circumstances as they are and then seek out of it the best results possible. The individual should have the physical and mental flexibility to be able to adapt to such conditions and still work.
- c) **Energy-** The capability of the individual at all times to keep a sufficient energy level which would keep him/her going strong and also would motivate the people surrounding. The individual should not bring in disinterest, boredom, lethargy or any such negative attitude to the work place as it could adversely affect others as well.
- d) **Initiative-** The capability of the individual to take the first step in any issues that might require him/her to do so. This could be a new venture, a stand against incorrect procedures or practices.
- e) **Professional Development-** The capability of the individual to constantly improve his/her work's efficiency, quality and scope. The individual should always strive to better self in the profession that he/she might be pursuing.
- f) **Personal Development-** The capability of the individual to constantly improve his/her self as a person. This deals with discipline, concern and values. The individual should not only develop as a professional but should also try to improve as a person.
- g) **Time Management-** The capability of the individual to make the most efficient and optimum use of the time that is allotted to him/her. Wasting time or slogging without results is negative to skill. The individual should be capable of planning and executing in strict accordance with schedules.
- h) **Integrity-** The capability of the individual to adhere to a strict moral and ethical code. The individual should be unbiased and a steadfast follower of values at the work place.

4. Administrative Skills

- a) **Planning-** The capability of the individual to understand the on goings and plan the future courses of actions accordingly. The individual should be capable of covering all aspects of the issue while planning. Follow up- The capability of the individual to keep tracking the progress of any activity and remove the bottle necks that hinder the process.
- b) **Problem Analysis-** The capability of the individual to understand a problem in its completeness. The individual must be able to see the macro picture while he/she should also give attention to micro details.
- c) **Project Management-** The capability of the individual to plan, organize, execute and monitor the on goings of a complete project. This would include man, machine, material and money.
- d) **Decisiveness-** The capability of the individual to quickly understand the situation on hand and take a decision based on logic and experience. The quality of the decision is of great importance as it is the deciding factor.
- e) **Judgment-** The capability of the individual to judge the situation at hand correctly so as to arrive at quality decision.
- f) **Organizational Sensitivity/Perception-** The capability of the individual to understand the organization and its working in the complete sense. The individual should be clear about the organizations' vision, mission, goal, values and culture. He/she should also be very clear about the role that he/she plays and the importance of his/her actions to the organization as a whole.
- g) **Delegation-** The capability of the individual to successfully allot the correct work to the correct people so as to develop the efficiency of the team and the organization as a whole.
- h) **Employee Development-** The capability of the individual to develop his/her subordinates professionally and personally in order to strengthen the team and also develop the employees as assets.
- i) **Performance Coaching-** The capability of the individual especially the team leaders or managers to guide their subordinates in improving their performance.
- j) **Performance Management-** The capability of the individual to manage the performance of their subordinates in all aspects. This deals not only with improving the skills, but also correcting mistakes, planning goals etc.
- k) **Participative Management-** The capability of the individual to get into the team

that he/she leads and manage them being one of them and not only as their leader. This skill improves the level of the trust that the employees have in the manager and thus the manager is able to keep the team motivated.

- l) **Cultural Perception-** The capability of the individual to understand all the culture based issues and situations that could arise in his/her team and be prepared to resolve these. The manager should have the understanding of different cultures synthesize these ways and beliefs, in order to successfully be able to acquire this skill.

5. Managerial Skills

- a) **Delegation-** The capability of the individual to successfully allot the right work to the right people so as to elevate the efficiency of the team and the organization as a whole.
- b) **Employee Development-** The capability of the individual to develop his/her subordinates professionally and personally in order to strengthen the team and also develop the employees as assets.
- c) **Performance Coaching-** The capability of the individual especially the team leaders or managers to guide their subordinates in improving their performance.
- d) **Performance Management-** The capability of the individual to manage the performance of subordinates in all aspects. This deals not only with improving the skills, but also correcting mistakes, planning goals etc.
- e) **Participative Management-** The capability of the individual to get into the team that he/she leads and manage them being one of them and not only as their leader. This skill improves the level of the trust that the employees have in the manager and thus the manager is able to keep the team motivated.
- f) **Cultural Perception-** The capability of the individual to understand all the culture based issues and situations that could arise in his/her team and be prepared to align them. The manager should have the understanding of different cultures ways and beliefs, in order to successfully be able to align them.

Skills for success as a Sustainability Professional

Top Skills	Soft skills	Performance skills
Communication skills	Communication skills with internal and external stakeholders	Strategic planning
Technical expertise	Problem solving	Systems thinking
Sustainability principles	Inspiring and motivating others	Project management
Industry knowledge	Flexibility/ adaptability	Financial analysis
Consensus facilitation	Team building/ collaborating	Auditing
Creative thinking/ creativity	Influencing change within your organization	Accountability & reporting
Persuasion/Influence skills	Establishing and managing priorities	Risk assessment
Analytical skills	Consensus building	Policy expertise
Change management	Innovating the business	Life cycle assessment
Basic business knowledge	Facilitating /training groups	Vendor management
Interpersonal skills	Networking with internal colleagues	Technical expertise
Strategic thinking/ visioning	Networking with external colleagues	Scientific expertise
Organizational skills	Influencing the change inside the organization	Process management

Adopted from - 2010 Competency Survey Report - International Society of Sustainability Professionals.

Competencies

Any underlying characteristic required for performing a given task, activity, or role successfully can be considered as competency. Competency may take the following forms: Knowledge, Attitude, Skill, Other characteristics of an individual including: Motives, Values, Self concept etc.

Competencies are grouped in four areas.

- Technical
- Managerial
- Human and Conceptual
- knowledge
- Attitudes and skills

e.g. Team Management competency can be defined in terms of organization specific and level specific behaviors for a given situation. At top levels it might mean in the case of one organization ability to identify utilize and synergize the contributions of a project team and at another level it might mean ability to inspire and carry along the top management team including diversity management. In competency mapping all details of the behaviours observable, specific and measurable to be shown by the person occupying that role are specified. So, in a way competency encompasses skill. example being a skilled goldsmith is a technical competency

The business operation is considered to be very complex in a competitive business environment which is constantly changing with fast technological advancements. An entrepreneur is expected to interact with these environmental forces which require him to be highly competent in different dimensions like intellectual, attitudinal, behavioral, technical, and managerial aspects. Entrepreneurs are therefore permanently challenged to deploy a set of competencies to succeed in their entrepreneurial endeavors.

Types of Competencies

Competencies effectively fall in three groups:

1. Behavioural (or Life Skills) Competencies
2. Functional (or Technical) Competencies.
3. Professional Competencies.

Levels of Criticality In any organization there are some Competencies that are more important than others, based on different criteria:

Competency categories Competency types ↓	Core competencies	Key competencies	Critical competencies
Professional Competencies			
Functional Competencies			
Behavioural (Life skills)competencies			

1. **Core Competencies** – Core competencies are those competencies that any successful employee will need to rise through the organisation. These Competencies would specifically relate in ways to the business of the organisation.
2. **Key Competencies** – Key competencies contribute to valued outcomes of the organisation, defining the abilities of individuals to meet strategic demands, and are important not just for specialists but for all individuals.
3. **Critical Competencies** – Critical competencies are competencies without which the organisation will not be able to achieve it's goals and strategy.

Entrepreneurial Competencies :

To arrive at different competencies of the entrepreneurs, a content analysis was carried out on the interviews and test giving detailed account of situations or events in which they acted in certain manner. Based on the actions or behaviour, inference has been drawn to encode the entrepreneurs for different competencies

1. Behavioural (or Life Skills)

Life skills are problem solving behaviours used appropriately and responsibly in the management of personal affairs. They are a set of human skills acquired via teaching or direct experience that are used to handle problems and questions commonly encountered in daily life.

- a **Risk-taking:** The entrepreneur understands that risk taking means trying something new, and possibly better, in the sense of stretching beyond what has

been done in the past; and that the constant challenge is to learn how to assess choices responsibly, weighing the possible outcomes against his/her values and responsibilities

- b Sense of efficacy :** The extent to which the entrepreneur develops his sense of being effective in terms of resources, knowledge and own abilities. Such a concern is said to be present when an entrepreneur expresses high level of confidence in his own abilities and sees his internal resources and is clear about his future course of action.
- c Coping up with stress:** The extent to which the entrepreneur can maintain his balance in the face of crisis, conflict and situational complexities and make effective decisions to deal with the situation. He plans and makes adequate arrangements to face various predictable or unpredictable crisis and uncertainties.
- d Persistence:** The extent to which a person attempts to take repeated actions to overcome obstacles. He normally does not withdraw himself from a situation when faced with problems.
- e Communication Skills:** This competency deals with all modes of communication i.e. written, oral, listening, presentation etc. This competency defines the focus of the individual towards his/her actions and the goals that need to be achieved.
- f Dealing with Ambiguity:** This competency defines the capability of the individual to deal with ambiguous situations with clarity and presence of mind.
- g Creativity:** This competency defines how an individual is able to bring in new ideas and concepts into the work place and also implement these with success.
- h Integrity / Trust:-** This competency covers the factors that decide the integrity of an individual and the levels of trust that he/she enjoys among peers and all stakeholders.
- i Initiative :** Takes action that goes beyond job requirements or in any situation. Does things before being asked or forced to by events.

Acts to extend the business into new areas, products, or services not perceived earlier.
- j Concern for quality of works:** Acts to do things that meet or beat existing standards of excellence. States a desire to produce work of high quality. Compares own work or company's work comparatively to that of others.
- k Commitment to work:** Acts to do things that place the highest priority on getting a job completed.

Accepts full responsibility for problems in completing a job. Pitches in with workers or works in their place to get the job done. Expresses the concern for satisfying the customer.

- l Efficiency Orientation:** Finds ways to do things faster and even with fewer resources or at a lower cost. Uses information or business tools to improve efficiency. Expresses concern about costs vs. benefits of improvements, change, or course of action.
- m Problem solving:** Identifies new and potentially better ideas to reach goals. Switches to an alternative strategy to reach a goal. Generates new ideas or innovative solutions.
- n Self-confidence:** Has a strong belief in self and own abilities. Expresses confidence in own ability to complete a task or meet a challenge. Sticks to own judgment in the face of opposition. Does something that he finds risky.
- o Use of influence strategies:** Uses a variety of strategies to influence others. Acts to develop business contacts. Uses influential people as agents to accomplish own objectives. Selectively limits the information given to others.
- p Integrity:** The entrepreneur has a clear sense of values and beliefs that underpin the creative and business decisions that they make; which influence the actions they take, particularly when in difficult or challenging circumstances.
- q Conceptual Thinking** - The entrepreneur is prepared to use fresh approaches; comes up with crazy ideas that may just work, leading to radical change or significant improvements; and takes time to listen to new ideas without pre-judgement.
- r Strategic Thinking** - The entrepreneur understands and values the planning process, thinking and planning over a significant timescale; recognises external trends and opportunities; and is able to think through any complex implications for the business.
- s Commercial Aptitude** - The entrepreneur keeps up to date with developments in any situations seeks out best practice; and identifies and seizes opportunities that are not obvious to others.
- t Decisiveness** - The entrepreneur resolves issues as they arise; does not get bogged down in analysis during decision making; and responds flexibly to deal with changing priorities.
- u Optimism** - The entrepreneur persists in pursuing goals despite obstacles and

setbacks; operates from hope of success rather than from fear of failure; and sees setbacks as due to manageable circumstance rather than as personal flaws.

- v **Customer Sensitivity** - The entrepreneur builds trust and long term relationships with customers; generates an expectation of high level of customer service; and regularly exceeds customer expectation.

2. Functional (or Technical) Competencies

Functional Competencies relate to functions, processes, and roles within the organisation and include the knowledge of, and skill in the exercise of, practices required for successful accomplishment of a specific job or task.

- a **Technical/ Professional Education:** This competency is mapped according to the employee records of qualification levels and the company requirements
- b **Functional / Technical Skills:** This competency includes all the skills covered in the Technical skill matrix.
- c **Personal Learning:** The ability of an individual to constantly improve self.
- d **Systematic Planning:** Develops and uses logical, step-by-step plans to reach goals. Plans by breaking a large task down into sub-tasks. Develops plans that anticipate obstacles. Evaluates alternatives. Takes a logical and systematic approach to activities.

3. Professional Competencies

Professional competencies are competencies that allow for success in an organizational context. They are the accelerators of performance. If lacking in sufficient strength and quality are the reasons people fail to excel in jobs.

- a **Hard work :** The extent to which the entrepreneur places higher priority to his work. This is characterized e.g. by long hours put in to complete the task in hand.
- b **Persuasion and negotiation:** The extent to which the entrepreneur can persuade and negotiate business contracts or business terms successfully with others by asserting his own competence or strong confidence in his own company.
- c **Innovation and originality:** The extent to which an entrepreneur has used new method or approach to manufacture the product, to use new method or approach to manufacture the product, to market the product or develop new technology or formulate new schemes for employees' satisfaction.
- d **Business Acumen:** This competency deals with the levels of knowledge possessed by the individual regarding the various different aspects of the business. Conflict

Management- This competency covers the capability of the individual to deal calmly and cautiously with conflict situations to bring out a solution for good results.

- e **Customer Focus:** This competency deals with the ways and means in which the individual is able to keep the customer satisfied.
- f **Organizational Agility:** This competency is about the level of energy and alertness that an individual possesses to go through the tasks with ease.
- g **Peer Relationships:** This covers all the aspects of the relationship that an individual enjoys with his/her peers in the organization.
- h **Planning:** The ability of the individual to plan with completeness and clarity.
- i **Sees and acts on opportunities** (business, educational or personal growth): Seizes unusual opportunities to obtain financing equipment, land, work space. Or assistance.
- j **Networking:** the entrepreneur understands that networking is a key business activity which can provide access to information, expertise, collaboration and sales; and that careful planning and preparation helps achieve desired results
- k **People Focus:** the entrepreneur creates common purpose with colleagues through shared vision and values; walks the talk; sees and values the best in others; builds total capability of the immediate and wider team; and always considers the principles of inclusiveness in planning and dealing with others

Competency Model and the Competence Ladder



Do you know what you don't know?

When we find that we don't know something important, we're often motivated to learn more. However if we're blissfully unaware of our ignorance, there's little we can do about it.

One of the first steps on the journey to acquiring new skills is therefore to become aware of what you do not know. This discovery can be uncomfortable, as can be the experience of not being very good at what you are trying to do (as you won't be, when you first start to learn.)

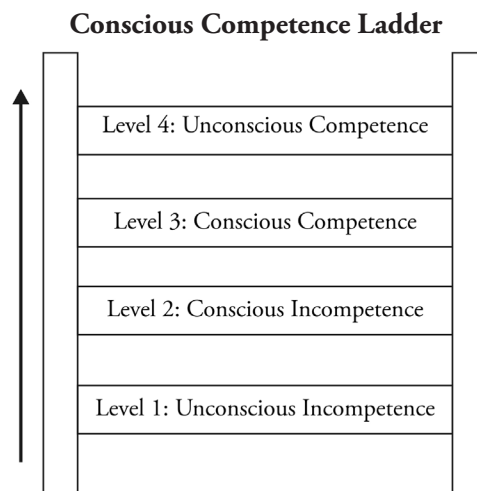
The Conscious Competence Ladder is a popular and intuitive approach (attributed to many different possible originators) that helps us manage our own emotions. It helps us to be more in touch with the emotions of the people we are training, so we can better coach them through the learning process.

Explaining the Model:

According to this approach, consciousness is the first step towards gaining knowledge. To learn new skills and to gain knowledge you need to be conscious of what you do and do not know.

Next, competence is your ability to do things. You may be highly competent in one area, but have no skill in another. Your competence level will depend on the task or job at hand.

The idea is that as you build expertise in a new area, you move from “unconscious incompetence” to “conscious incompetence” and then to “conscious competence”, finally reaching “unconscious competence.” These are explained below, and this “ladder” of learning is shown in figure



Level 1 – Unconscious Incompetence (You don't know that you don't know) At this level you are blissfully ignorant: You have a complete lack of knowledge and skills in the subject in question. You are unaware of this lack of skill, and your confidence might therefore far exceed your abilities.

Level 2 – Conscious Incompetence (You know that you don't know) At this level you find that there are skills you need to learn, and you may be shocked to discover that there are others who are much more competent than you. As you realize that your ability is limited, your confidence drops. You go through an uncomfortable period as you learn these new skills when others are much more competent and successful than you are.

Level 3 – Conscious Competence (You know that you know) At this level you acquire the new skills and knowledge. You put your learning into practice and you gain confidence in carrying out the tasks or jobs involved. You are aware of your new skills and work on refining them. You are still concentrating on the performance of these activities, but as you get ever-more practice and experience, these become increasingly automatic.

Level 4 – Unconscious Competence (You do what you know without being conscious as first nature– It Just Seems Easy!) At this level your new skills become habits, and you perform the task without conscious effort and with automatic ease. This is the peak of your confidence and ability.

Using the Tool:

The Conscious Competence Ladder helps us in two ways:

- It gives us reassurance when we need it, and
- It helps us coach others through, a sometimes difficult learning process.

During the Conscious Incompetence phase, we have the reassurance that while things are difficult and frustrating right now, things will get much better in the future. And when we're at the stage of Unconscious Competence, the model reminds us to value the skills we have so painstakingly acquired.

As an approach to coaching others, it reminds us that people may be moving through these steps as they learn the new skills we're trying to teach them:

Unconscious Incompetence: At the beginning of the process, they may be unaware of their own lack of competence, and may need to be made gently aware of how much they need to learn.

Conscious Incompetence: During this stage, you'll need to provide plenty of encouragement, tolerate mistakes appropriately, and do what you can to help people improve.

Conscious Competence: At this stage you need to keep people focused on effective

performance of the task, and give plenty of opportunities for them to get practice.

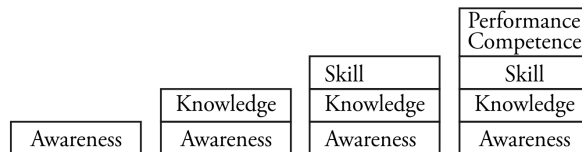
Unconscious Competence: Although this is the ideal state, you'll need to make sure that people avoid complacency, and stay abreast of their fields. You may also need to remind people how difficult it was to reach this state, so that they are tolerant with people at the Conscious Incompetence stage!

This teaches you the skills you need for a happy and successful career;

The Building blocks of Performance Competence

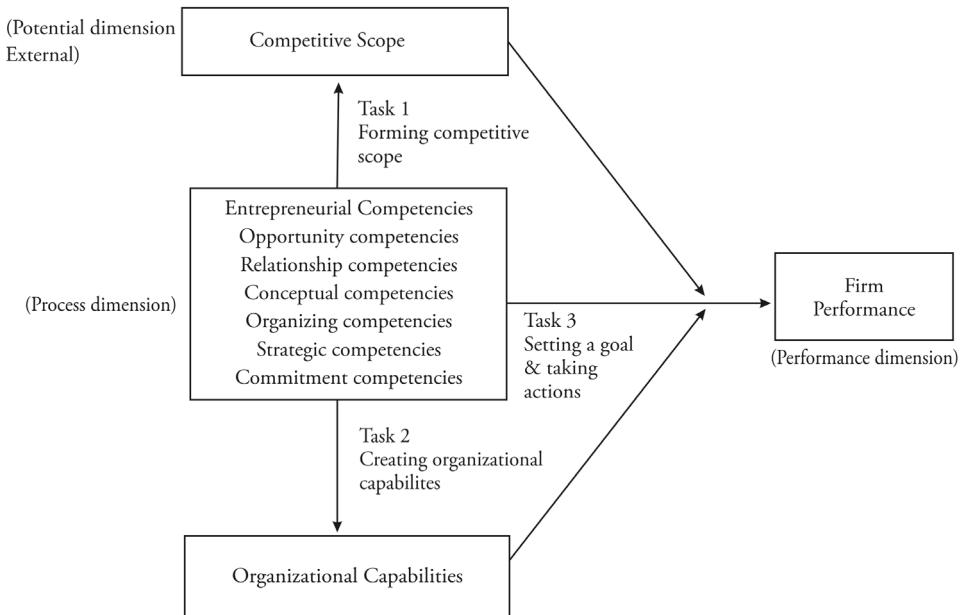
One can be aware , knowledgeable, skilled and/or Performance Competentable

- To perform tasks
- To produce outputs
- To stakeholder requirements.



Outcome of Entrepreneurial competencies

Almost all research studying the outcome of entrepreneurial competency use firm performance as the indicator of outcome.



A model of SME competitiveness. (Man et al., 2002)

As shown in the figure the model distinguishes between four major constructs:

1. Entrepreneurial competencies,
2. Competitive scope,
3. Organizational capabilities, and
4. Firm performance.

The competitive scope and organizational capabilities represent the inputs of external environmental factors and internal firm factors, respectively. Central to the model are the relationships between entrepreneurial competencies and other complimentary factors.

These relationships are conceptualized as three principal entrepreneurial tasks:

1. Forming the competitive scope of the firm,
2. Creating the organizational capabilities, and
3. Setting a goal and taking actions for the goal achievement through assessing competitive scope and using organizational capabilities.

Functional approach	Competency approach
Job description: <ul style="list-style-type: none"> What is to be done? Cluster of core tasks and functional requirements (knowledge, skills, responsibility) 	Competency Profile: <ul style="list-style-type: none"> What is done, why and how? Cluster of core tasks and competency requirements (knowledge, skills, personality, attitude, values and norms, incentives)
Selection: How is the person? <ul style="list-style-type: none"> Selection in order to realize a fit between the function and the individual Selection in order to fill a vacancy Selection criteria : Selection criteria focusing on knowledge, personality and attitude 	How does the person function? <ul style="list-style-type: none"> Selection in order to realize a fit between the individual and the organization. Selection with a view of growth and development of an organization the long term Selection criteria: besides knowledge, personality and attitude, also skills, values and behaviour
Development <ul style="list-style-type: none"> Development of knowledge Aimed at hierarchical promotion With a view of raising job skills 	Development <ul style="list-style-type: none"> Development of knowledge of ability, willing and being Aimed at horizontal mobility & the maximum use of human potential With a view of developing skills attitudes and behavior.
Appraisal <ul style="list-style-type: none"> Focus on functioning in the job Focus on dedication 	Appraisal <ul style="list-style-type: none"> Focus on functioning in the job, performance, results and potential Focus on behaviour
Rewards <ul style="list-style-type: none"> Pay according to the job The relative weight of the function determines the wage Focus on responsibility, knowledge, age and seniority 	Rewards <ul style="list-style-type: none"> Pay according to work The required competencies for an organisation determine the wage Focus on output

H. Manager Vs. Entrepreneurs Vs. Intrapreneurs

Comparison of Entrepreneurs, Intrapreneurs & Traditional managers

	Traditional managers	Entrepreneurs	Intrapreneurs
Primary motives	Promotion and other traditional corporate rewards	Independence, Opportunity to create, money	Independence and ability to advance in the corporate rewards
Time orientation	Short term-meeting quotas and budgets, weekly, monthly, quarterly and annual planning horizon	Survival and achieving growth of business in 5-10 years.	Between entrepreneurial and traditional managers, depending on urgency to meet self imposed and corporate timetable
Activity	Delegates and supervises more than direct involvement	Direct involvement	Direct involvement more than delegation
Risk	Careful	Moderate risk taker	Moderate risk taker
Status	Concerned about status symbols	Not concerned about status symbols	Not concerned about traditional status symbols - desires independence
Failures and mistakes	Tries to avoid mistakes and surprises	Deals with mistakes and failures	Attempts to hide risky projects from view until ready.
Decisions	Usually agrees with those in upper management positions	Follows dream with decisions	Able to get others to agree to help achieve dream
Who serves	Others	Self and customers	Self, customers
Family history	Family members worked for large organizations	Entrepreneurial small business, professional background	Entrepreneurial small business, professional background
Relationship with others	Hierarchy as basic relationship	Transactions and deal making as basic relationship	Transactions within hierarchy

I. Entrepreneurship as a Career Option

After finishing your former education you will be at the crossroads of life. You will face the dilemma of choosing what you have to do in life. The vast majority of human beings direct their activities towards earning a living, generating wealth and improving their standard of living. You can choose your career from two broad categories of options –

- Wage Employment or
- Entrepreneurship.

The term ‘career’ signifies a continuous, ever evolving, ever expanding opportunity for personal as well as business growth and development. We may define entrepreneurship as a career in your own business [YOB] rather than wage employment [JOB] .If you opt for a job then you will work for others. In case you opt for entrepreneurship you will be your own boss.

In case of wage employment one is engaged in routine work carried on for others for which he receives salary or wages. One has to follow instructions and execute plans laid down by his superior. One can choose to be employed in Government Service or the Public Sector or the Private sector. Some of the main differences between entrepreneurship and wage employment career options are as under

Wage Employment	Entrepreneurship
<ul style="list-style-type: none"> • Work for Others • Follow Instructions • Routine Job • Earning is fixed, • Does not create wealth • Can choose from- Government service Public Sector Private Sector 	<ul style="list-style-type: none"> • Own Boss • Make own plans • Creative activity • Creates Wealth, Contributes to GDP • Can choose from- Industry Trade or Service Enterprise

Income generation is the initial stage in the entrepreneurial process in which one tries to generate surplus or profit. They are often taken on part- time or casual basis to supplement income e.g. a man with some surplus money might put his money in a fixed deposit account in a bank or a mutual fund to earn some interest.

Self-employment is the second stage in the entrepreneurial process and refers to an individual's fulltime involvement in his own occupation. e.g. a person who starts a tea shop and remains happy and satisfied and has no plans to add on any other items like samosas, buns, soft drinks etc. or to grow in any other manner [e.g. supplying tea/coffee/sandwiches to others in the vicinity].

Entrepreneurship is the terminal stage of the entrepreneurial process wherein after setting up a venture one looks for diversification and growth.

To develop entrepreneurship as a career our approach towards work follows success.

1. Adopt the craftsman mindset, not the passion mindset.

Don't have Passion mindset, because the questions it prompts is - "Who am I?" "What do I truly love?" "Is this who I really am?" — are not only hard to answer but almost guaranteed to keep you perpetually unhappy and confused." Instead, embrace the craftsman mindset, in which you ask, "What can I offer to the world?"

2. Know what's really valuable in your field. .. Figure out the difference in - What did Person A do that Person B did not?

3. Always stretch yourself. Once you know what kind of expertise you need, go after it — and never look back. Push past your natural inclination to only do what you're good at and what you enjoy.

4. Seek feedback.

It's in honest, sometimes harsh feedback, that you learn where to realign your focus in order to continue to make progress.

5. Minimize the time you spend on things that won't help you improve.

At the beginning you figure out how much time you want to spend on different activities, then track it so you can see how close you come to your targets."

6. Never work without a goal, but make sure your goal is appropriate for the career stage you're in. .. It's very easy to be busy, and it's very exhausting too, which is sort of satisfying, but what's the end result of it? If you just generically work hard, the bulk of that energy will be wasted. We should decide, consciously, "This is the thing I'm working toward in my career right now."

7. Be patient. One needs patience, tolerance for working on things that are hard and making progress that's slow over a period of years — not weeks or months."

Questions

1. What is difference between startups and small business? How startups evolve?
2. What startups need?
3. “Developing countries like India need imitative entrepreneurs rather than innovative entrepreneurs”. Do you agree? Justify your answer with examples.
4. According to economists what are the basic functions of entrepreneur?
5. Explain Corporate entrepreneurship & Individual entrepreneurship
6. What is the classification of entrepreneurs?
7. What are the characteristics of entrepreneurs?
8. According to the theory of organizational behaviour which are the five classic phases in the development of an organization?
9. Describe the role of entrepreneurship in economic development.
10. Distinguish between Skills Vs Competencies.
11. Which is the common set of soft skills?
12. Explain the entrepreneurial competency concept.
13. Which are the types of entrepreneurial competencies?
14. Explain the Competence model.
15. Characteristics of a successful entrepreneur.
16. Compare and contrast between Entrepreneur Vs. Intrapreneur, Entrepreneur Vs. Manager
17. Entrepreneurship – A career option. Explain.

Quotes

If “Plan A” didn’t work. The alphabet has 25 more letters.

Stay Cool.

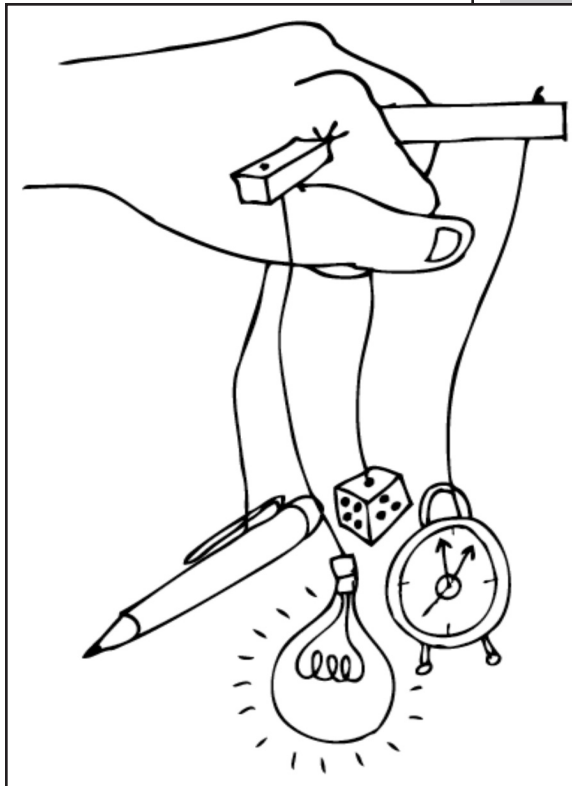
An entrepreneur is not someone
who owns a business,
its someone
who makes things happen.

We cannot solve our problems
with the same thinking we used,
when we created them.

Life isn’t about
finding yourself.
Life is about
creating yourself.

If opportunity doesn’t knock,
build a door.

If you focus on results,
you will never change.
If you focus on change
you will get results.



ENTREPRENEURSHIP IN A FREE ENTERPRISE

ENTREPRENEURSHIP IN A FREE ENTERPRISE

- A. Meaning of Entrepreneurship
- B. Historical Perspectives on Entrepreneurship
- C. Women Entrepreneurship
- D. Theories of Entrepreneurship
- E. Process of Entrepreneurship Development
- F. Entrepreneurial Development Cycle
- G. Interlinking Education, Innovation and Entrepreneurship
- H. Suggestions to Enhance Entrepreneurship
- I. Global Impact of Entrepreneurship
- J. Entrepreneurship in India
- K. Misconceptions About Entrepreneurship
- L. The Entrepreneurial Activities
- M. The Entrepreneurial Process
- N. Factors Affecting Entrepreneurial Growth
- O. Problems Faced By Entrepreneurs
- P. Entrepreneurship Development Programs
 - I Entrepreneurial training & its phases
 - II Training inputs
 - III Skill development and training institutes
 - IV Problems in Entrepreneurship training programs

A. Entrepreneurship- meaning

Dictionary meaning

The *capacity* (specific ability) and willingness to *develop* (design, create, improve an idea), organize and *manage* (control) a business *venture* (selling a product or service) along with any of its *risks* (probability of threat, damage or loss) in order to make a *profit* (surplus).

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

Origin of word ‘Entrepreneurship’

The origin of the basic word ‘Entrepreneurship’ is from a French word ‘*Entreprendre*’, where it cradled and originally meant to designate an organizer of certain musical or other entertainments. The Oxford English Dictionary (of 1897) defines the term ‘Entrepreneur’ in similar way as the director or a manager of a public musical institution, one who get entertainment arranged, especially musical performance.

Initially in the early 16th century, it was applied to those who were engaged in military expeditions. In 17th century it was extended to cover civil engineering activities such as construction and fortification. Since then, the term ‘Entrepreneur’ is used in various ways and various views. These views are broadly classified into three groups namely: -

- Risk-Bearer
- Organizer
- Innovator

Thus, a person who assumes and bears all types of risks involved in an enterprise, who organizes the various inputs or factors of production and who innovates new ideas, concepts, strategies and methodology in business from time to time is known as Entrepreneur.

What is Entrepreneurship?

Practically everywhere you’ll read or hear about entrepreneurs. Pick up a current newspaper, newsmagazine, tune into a radio, TV news broadcast or log onto one of the Web’s new sites. Chances are you’ll find at least one story (and probably many more) about an entrepreneur or an entrepreneurial business. Entrepreneurship is a popular topic these days! But exactly what is it? Let’s see if we can answer this by looking at how entrepreneurship is defined.

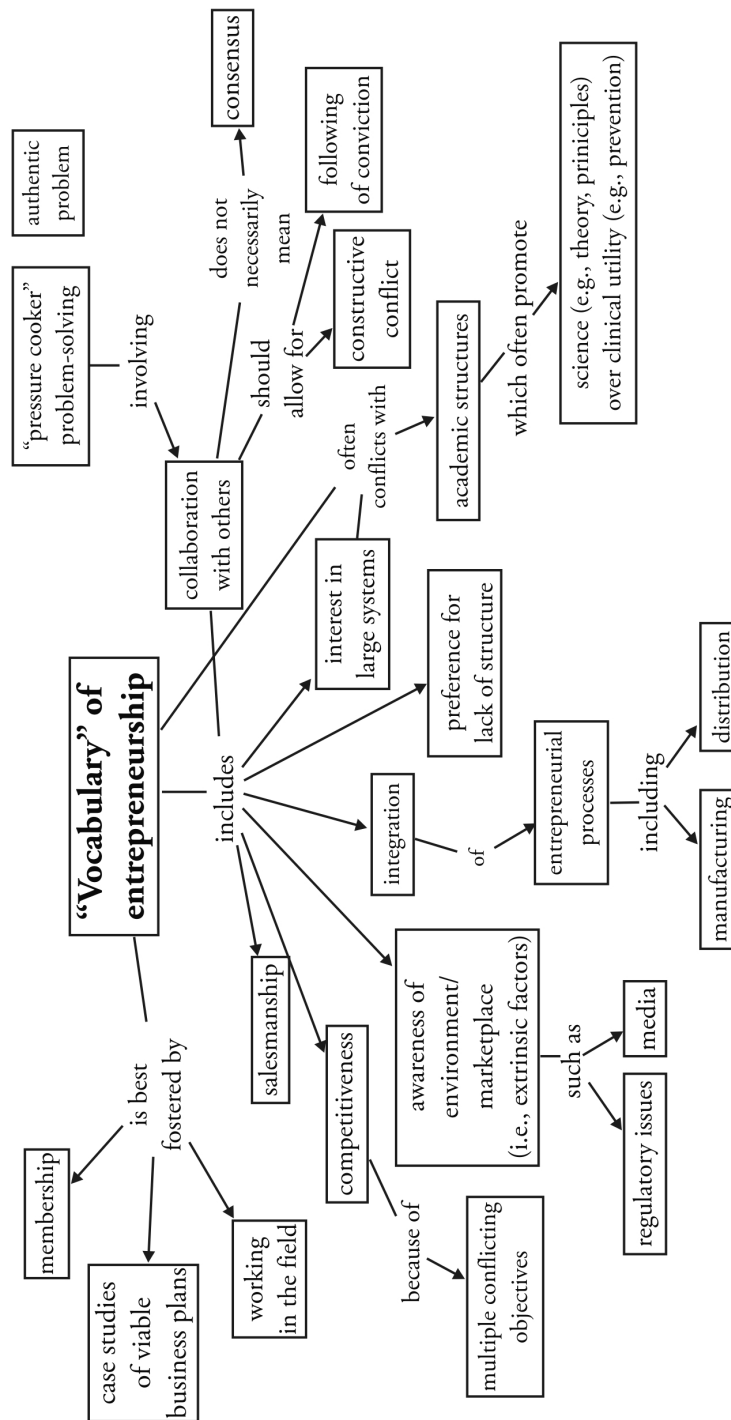
1. It recognizes the important role that the entrepreneur plays.

2. Innovation.

Entrepreneurship involves changing, revolutionizing, transforming, and introducing new approaches. Entrepreneurs are innovators of the economy. It is not just the scientist who invents or comes up with the solutions.

The importance of innovation in entrepreneurship is shown by coming up with new way to produce a product or a solution. A service industry can expand with another type of service to fulfill the ever-changing needs of their clients. Producers can come up with another product from the raw materials and by-products. Entrepreneurs must keep themselves abreast with the current trends and demands. So we say Entrepreneurship involves innovation.

Common themes found in the definitions of entrepreneurship –



3. Organization creation.

Creating and sustaining an optimized organization may require extraordinary leadership commitment. Leaders may need to bring the effectivity and build the culture of the organisation. Those dimensions are knowledge sharing, resource consciousness, collaboration, inspirational challenges, openness to change and team working may need to be strengthened.

Furthermore, creating an optimized organization may require much deviation from the normal ways of working within the organization. Such deviations may impact the work profile of individuals, teams, functions and organization at large. Leaders may be expected to create the fundamental traction for change in their pursuit to truly realize the benefits of optimization.

4. Creation of Value.

In order to pursue the perceived opportunities and to create value, there must be organized efforts and actions. Someone must take the action to get the entrepreneurial venture up and running. We find that the process of creating value is a common theme in describing entrepreneurship. What does it mean to “create value”? One interpretation is that through entrepreneurship, new products, services, transactions, approaches, resources, technologies, and markets are created that contribute some value to a community or marketplace. We can also see value created when, through entrepreneurship, resources are transformed into outputs such as products or services.

5. Profit or Non-profit environment.

Although we tend to assume that entrepreneurial activity is geared at making profit, entrepreneurship also occurs in social service agencies, in community arts organizations, or in other types of not-for-profit settings.

6. Growth.

One major difference between entrepreneurial ventures and other small businesses is the emphasis on growth. Entrepreneurship is about growing a business and pursuing opportunities as they arise. Entrepreneurship implies growth.

7. Uniqueness.

Entrepreneurship involves new combination and new approaches with which entrepreneurs are willing to experiment. Therefore, the very nature of entrepreneurship infers differences, not the norm. Through entrepreneurship, unique products are created and unique approaches are tried. Entrepreneurship isn't imitating what others have done. It's doing something new, something untested and untried – something unique.

8. Recognition.

Entrepreneurship is not a one-time phenomenon; it occurs over the time. It involves a series of decisions and actions from initial start-up to managing the entrepreneurial venture to even, at some point, exiting it.

B. Historical Perspectives on Entrepreneurship

Earliest Period

One early example of a go-between is Marco Polo, an Italian, who was one of the first Europeans who sailed to the Far East. He attempted to establish trade routes to China. He signed a money contract with a money lender person to sell his goods. That lender was a **forerunner** of today's capitalist. A common contract during that time provided a **loan** to the **merchant**-adventurer at a 22.5 percent rate, including insurance. After the successful completion of a journey by the merchant-adventurer, the money person took most of the profits (up to 75 percent), while the entrepreneur merchant **settled for** the remaining 25 percent.

Middle ages

In the Middle Ages, the term entrepreneur was used to describe both an organizer of musical performances and a manager of large building projects. In such projects, this person did not take any risks, but merely managed the project using the resources provided. A typical entrepreneur in the Middle Ages was the **cleric** – the person in charge of great architectural works, such as castles and fortifications, public buildings, abbeys, and cathedrals.

17th Century

The connection of risk with entrepreneurship developed in the 17th century.

18th Century

In the 18th century, the person with capital was differentiated from the one who needed capital. Many of the inventions developed during that time were reactions to the changing world, as was the case with Thomas Edison, the author of many inventions. He was developing new technologies and was unable to finance his inventions himself. Edison raised capital from private sources to develop and make experiments in the fields of electricity and chemistry. Edison was a capital user (an entrepreneur), not a provider (a venture capitalist).

19th and 20th Centuries

In the late 19th and early 20th centuries, entrepreneurs were frequently not distinguished from managers and were viewed mostly from an economic perspective: Briefly stated, the entrepreneur organizes and manages an enterprise for personal gain. He pays current prices for the materials consumed in the business, for the use of the land, for the services

he employs, and for the capital he requires. He contributes his own initiative, skill and ingenuity in planning, organizing and administering the enterprise.

This ability to innovate is an instinct that distinguishes human beings from animals. From the Egyptians who designed and built great pyramids out of stone blocks weighing many tons each, to laser beams, supersonic planes and space stations. While the tools have changed with advances in science and technology, the ability to innovate has always been present in every civilization.

From an economist's point of view, an entrepreneur is one who brings resources, labour, materials, and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and a new order.

From a psychologist's point of view, an entrepreneur is such a person that is typically driven by certain forces – wish to obtain or attain something in life, to make experiments, or perhaps to escape authority of others (gain independence)...

From a capitalist philosopher's point of view the same person is seen as one who creates wealth for others as well who finds better ways to utilize resources, and reduce waste (loss), and who produces jobs others are glad to get.

To a business person, an entrepreneur may appear as a threat, an aggressive competitor, whereas to another business person the same entrepreneur may be a supporter, a source of supply, a customer, or someone good to invest in the project.

Each definition is somewhat restrictive because entrepreneurs are found in many professions – education, medicine, research, law, architecture, engineering, social work, and distribution. Therefore, to include all types of entrepreneurial behavior, one researcher has proposed the following definition of entrepreneurship: Entrepreneurship is the process of creating something different (new) with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence.

Entrepreneurship in 21st Century

There is a new player emerging on the cultural and business scene today: the Idea entrepreneur. The Idea entrepreneur is an individual, usually a content expert and often a different, whose main goal is to influence how other people think and behave in relation to their cherished idea. These people don't seek power over others and they're not motivated by the prospect of achieving great wealth. Their goal is to make a difference, to change the world in some way. They play many roles - manager, teacher, motivator, entertainer, coach, thought leader, and guru all rolled into one.

C. Women Entrepreneurship

Indian women have to go a long way to achieve equal rights and position because traditions are deep rooted in Indian society where the sociological set up has been a male dominated one. The transformation of social fabric of the Indian society, in terms of increased educational status of women and varied aspirations for better living, necessitated a change in the life style of Indian women. Women leaders managed to survive and succeed in this cut throat competition with their hard work, diligence and perseverance. They have the ability to learn quickly, persuasiveness, style of problem solving, willingness to take risks and chances, ability to motivate people, knowing how to win and lose gracefully are the strengths of the Indian women entrepreneurs.

Problems of Women Entrepreneurs

All women entrepreneurs almost suffer from two main categories of problems, as follows:-

1) Specific Problems

2) General Problems.

The first category of problems affect women specifically in their smooth operations of enterprise, while the other category of problems have over-all effect on the enterprises owned by women entrepreneurs.

Overall these problems can be summed up as under:-

1. Family Resistance:

The first and most serious problem of family resistance can be removed through the co- operation from the male members.

2. Limited mobility factor in case of women entrepreneurs:

Unlike men, women's mobility in India is highly limited due to many factors/reasons. Cumbersome exercise involved in starting with an enterprise coupled with officials' humiliating attitude towards women compels them to give up their spirit of surviving in an enterprise altogether.

3. Lesser risk and uncertainty bearing attitude:

Women in India are economically not independent or stable. It reduces their ability to bear risks and uncertainties involved in a business unit, which is the most important criteria of every business activity.

4. Old and outdated social outlook to stop women from entering in the field of entrepreneurship:

They are under a social pressure, which restrains them to prosper and achieve success in the field of entrepreneurship due to male dominance.

5. Change in Attitude:

Women suffer from one major problem of lack of self-confidence, will-power, strong mental outlook, optimism etc. They always have fear of committing mistakes while doing their piece of work. More over there is limited initiative of taking risk and bearing uncertainty in them. Thus all these psychological factors often obstruct their path of achieving success in the area of enterprise.

6. Support from family:

Usually families provide financial and emotional support to sons and not daughters for setting up a business or profession. Due to the social practice that son married to another family. Woman must be pulled out of normal restrictive environment and should reach to recognize her own psychological needs and give her needs an expression. They must be motivated to involve actively in business.

7. Male dominated Society:

The Indian society is changing vastly but yet it is male driven society. About 90% women's talent goes waste due to the negligence and non-supporting nature of family members. So women have to fight a long battle to become a successful entrepreneur as compared to men.

8. Family Ties:

If a woman is unable to devote enough time to family, it gives rise to conflicts. On the other hand without giving full time to business she cannot be a successful entrepreneur.

9. Problem of Finance:

In India it is a trend that the parental immovable property or business goes in hands of male child by succession. So the woman faces the difficulty in obtaining finance, managing the working capital and credit. As the women have very less property in their own name, it restricts in obtaining loans from financial institutions as they demand the security for loan granted.

10. Stiff Competition:

Lots of women enterprises have imperfect organizational set up. They have to face severe competition from organized industries which compels them to withdraw or to fight a cut-throat competition.

Role of Woman as an Entrepreneur.:

1. Imaginative:

It refers to the imaginative approach or original ideas with competitive market. Well-planned approach is needed to examine the existing situation and to identify the entrepreneurial opportunities.

2. Ability to Work Hard:

Enterprising women have the ability to work hard. Hard work is needed to build up an enterprise.

3. Persistence:

Women entrepreneurs must have an intention to fulfill their dreams. They have to make a dream transformed into an enterprise.

4. Ability and desire to take risk:

The desire refers to the willingness to take risk and ability to the proficiency in planning, making forecast estimates and calculations.

5. Profit Earning Capacity:

She should have the capability to get maximum returns out of invested capital. A Woman entrepreneur has also to perform all the functions involved in establishing an enterprise. These include idea generation, screening, determination of objectives, project preparation, product analysis, determination of forms of business organization, completion of formal activities, raising funds, procuring men, machine, materials and tools for business.

Reasons Why Women Become an Entrepreneur:

Today women are working in every line of business. The entry of women into business in India is traced out as an extension of their kitchen activities, mainly 3P's, Pickle, Powder and Papad. But with the spread of education and passage of time women started shifting from 3P's to modern 3E's i.e., Energy, Electronics and Engineering. Skill, knowledge and adaptability in business are the main impetus for women to emerge into business ventures.

Woman Entrepreneur is a person who accepts challenging role to meet her personal ambitions and become economically independent. A strong desire to do something positive is an inbuilt quality of entrepreneurial woman, who is capable of contributing values in both family and social life.

With the advent of media, women have become aware of their own traits, rights and also the work situations. Many women start a business due to some traumatic event, such as divorce, discrimination due to pregnancy or the corporate glass ceiling (An unofficial barrier to workplace advancement), the ill health of a family member, or economic reasons such as a layoff etc.

A new talent pool of women entrepreneurs is forming today, as more women opt to leave corporate world to chart their own destinies. The challenges and opportunities provided to the women of digital era are growing rapidly that the job seekers are turning into job creators. They are flourishing as designers, interior decorators, exporters, publishers,

garment manufacturers, IT service providers and continue to explore new avenues of economic emancipation.

Keeping ‘Work and Family life’ Balance for a woman

What is Work-Life Balance?

For women entrepreneurs, there is a constant battle for understanding and balance when it comes to family and work. For years women used to stay at home with children and are the primary caregivers. Times have changed. They are engaged in number of roles everyday. Life conflict occurs when women are unable to give required time and energy to those roles. So there is a need of work life balance.

Life is a collage of happiness, sadness, celebrations, peacefulness to name a few. Work life balance is the daily achievement and enjoyment in all spheres of life namely work, family, friends, health and spirit.

When we say WORK is also part of LIFE, which is broadly, related to certain aspects like ambition, acquisitions, achievements which might cause stress. So we need to take stress relieving activities also.

If we imagine our life as a game in which we are juggling with 5 balls in the air namely work, family, health, friends and sensation. If we drop ‘work’ rubber ball, it will bounce back but the other four balls are made of glass and if we drop one of these they will be irrevocably get damaged or even shattered and they will never be the same again. Balance is always a key to healthy living.

I have lot of respect for those women who are successful mothers and entrepreneurs.

Tips to keep Work Life Balance

Below are few tips to women entrepreneurs, for maintaining ‘work life balance’. which are based on personal experiences, discussions, observations and research for maintaining “work life balance”. The work-life balance is not simply about working less. It’s also about learning how to truly live and enjoy life.



1. Don't get obsessed with work when you come home from work.

Don't have the belief that taking "time off" from work means your business wouldn't grow as fast as it should. Actually keeping work-life balance helps business grow, and life would be a whole lot more fun and enjoyable.

2. Preparing a calendar

Choose such a venture where you can have a work and life balance. Each Friday prepare a calendar for the following work week and block few time slots in the calendar for yourself and your family. Hold those appointments with the same value that you would if they were for your business client.

3. Start your day earlier or close later

One of the greatest benefits of being an entrepreneur is having some flexibility in your schedule. Remember children sleep more than adults so early mornings can be a perfect time to catch up on work or exercise. Likewise, the evening can be a quiet time to catch up on reading, or after the kids have gone to bed.

4. Have the freedom to plan your own schedule

QUALITY time in family should be your top priority. Healthy communication between spouse & children gives you the energy, enthusiasm & the satisfaction. Never try to turn down an opportunity to play with your children when they invite you with sweet expressions. If you miss these moments, you will never be able to get those moments back. That will make you feel guilty sometime later.

5. Apply the 'After eight' rule

If you have deadlines to meet, instead of staying at the office, after 8 pm, take your laptop home. Then resume work after your children have slept this will enable you to focus for it's family time and still meet your work commitments.

This is also true that, the busier we get, the easier it is to forget to be stuck and enjoy what is truly important to us in the present.

6. Give up some control

You don't have to do everything yourself. Take advantage of your assistants, staff and technology. Many of your tasks can be outsourced. Don't waste your valuable, productive time on tasks that can be easily off loaded. This frees up your time to spend where it's most needed, whether family or working on your business. Develop trust in your people.

Many business owners have a hard time handing over details to staff, they feel only they can do it well. There comes a time in your business growth where you will stagnate if you do not let go of the need to control everything. Find good, intelligent people; groom them, train them and delegate, delegate, delegate. The sooner the better, for your productivity and your family.

7. Say yes to every single person who offers to help you!

In fact, take it one step further and have a list handy of things you know you require some help with. So the next time somebody offers to help, you have some tangible tasks you can delegate. It is one less task on your crazy “to-do” list and one more thing you can write-off as accomplished.

8. Facing that work life and business life intersect

With growing children you might have a multiple responsibilities between business, schoolwork and sport but there is a way to manage everything without going crazy! During the first one-hour when they get home, sit with them and do the work you need to do and then it is time for ‘Time Out’. It is Time Out for you to have some fun such as conversing, preparing dinner, setting the table and more.

When you expect your home and work life to be separate, you will be more frustrated since it would never work. In this case just accept it and go with the flow and take care of what you need to do as the situation arises.

9. Firm start and adjustments at times

Need to work very hard in a startup may be putting in 14 hours a day. Once you get married, you have spouse, kids & other family members at home. In such cases your partner also is expected to take on more duties for raising children and share the workload at home. He needs to be a real teammate, time sensitive, not rigid and be reasonable.

10. Enjoy being a parent while running the business

The business will always have challenges, and so do your kids won’t. Be gentle but firm with them. Be there whenever they need you. Reserve your calendar as per their routine. It is non-negotiable.

11. Weekend Activities:

Since the weekdays are so hectic (getting up early, preparing breakfast, tiffin, driving to school, dropping them off, going to work, taking kids for tuition, sport, curricular activities, going to bed, also getting cranky sometimes) it is important to have some INTERACTIVE fun activities on the weekend. This helps to maintain that bond and show the other side of you as a parent—not just a business driven, competitive person, but a loving, empathetic and engaging friends as well.

12. Tiny steps can move mountains

When running a business and raising children, the slices of time and energy which are available can seem very small. It’s easy to become overwhelmed, with ideas we could think and act on. Great things can be accomplished by taking tiny steps every day in the right direction.

13. Figuring out your own interest

Balancing a family and the demands of running a business can be stressful. There is never enough time to devote to either. Then there questions of pursuing your own interests. Learn to say 'NO' to the engagements that aren't a value adding use of time.

When you come home from the office you will have to shift gears and spend time with the family. Remember Change of work is RELAXATION.

Try to devote at least 30 minutes to yourself in the form of Yoga, listening to music or in your hobby. This will help to reduce stress.

14. There is a time to talk and reflect on the day.

Ignore your cell phone, television, laptop during your meal time. After dinner, make sure you spend quality time with the kids. You might read some books, play outside, work on a fun project or focus on a creative activity with them.

15. Be realistic

There is no doubt about it, balancing Business and Children can be tough. Still, there is a valid reason so many mothers are leaving the corporate jobs and launching businesses of their own, and that is all about flexibility.

Flexibility is great, but set yourself a working schedule and commit to it. There is a time for household chores and a time for working. If you have scheduled yourself to be working, then you should be focused on whatever tasks bring in the most returns.

16. Gratitude

Thank God every day that you are able to live your life in a way that allows you to instill a set of values in your children too.

For a woman GREAT EXCITEMENT in life is to watch the family grow, and reach exciting new milestones.

Empowerment of Women

Right efforts from all areas are required in the development of women entrepreneurs and their greater participation in the entrepreneurial activities. Entrepreneurship basically implies being in control of one's life and activities and women entrepreneurs need to be given confidence, independence, and mobility to come out of their paradoxes. The following measures are suggested to empower the women to seize various opportunities and face challenges in business.

1. There should be a continuous attempt to inspire, encourage, motivate and co-operate women entrepreneurs.
2. An Awareness programme should be conducted on a mass scale with the

intention of creating awareness among women about the various areas to conduct business.

3. It is desirable to provide amenities particularly required by them in industrial areas like easy mobility and closeness to homes, child care facilities, regular bus service, and crèches for children etc.
4. Attempts should be made to enhance the standards of education of women in general as well as making effective provisions for their training, practical experience and personality development programmes, to improvise their over-all personality standards.
5. Organize training programmes to develop professional competencies in managerial skill, leadership, marketing, financial knowledge, production process, profit planning, maintaining books of accounts and other skills. This will encourage women to undertake business.
6. Vocational training to be extended to women that enables them to understand the production process and production management.
7. Skill development to be done in women's polytechnics and industrial training institutes. Skills are put to work through training-cum-production workshops.
8. Educational institutes should tie up with various government and non-government agencies to assist in entrepreneurship development mainly to plan business projects.
9. International, National, Local trade fairs, Industrial exhibitions, seminars and conferences should be organized to help women to facilitate interaction with other women entrepreneurs.
10. Women in business should be offered soft loans and subsidies for encouraging them into industrial activities. The financial institutions should provide more working capital assistance both micro, small, medium and large scale ventures.
11. Making provision of micro credit system and enterprise credit system to the women entrepreneurs at local level.
12. The weaker section could raise funds through various schemes and incentives provided by the government to develop entrepreneurs in the state. E.g. the Prime ministers' Rozgar Yojana, The Khadi and Rural village industries scheme, etc.
13. In the initial stages women entrepreneurs may face problems but they must persevere, believe in themselves and not give up mid way.

14. Attempts by various Non-Governmental Organisations (NGOs) and government organizations to spread information about policies, plans and strategies on the development of women in the field of industry, trade and commerce. Women entrepreneurs should utilize various schemes provided by the Government.
15. Women should try to upgrade themselves in the changing times by adopting the latest technology inputs. Women must be educated and trained constantly to acquire the skills and knowledge in all the functional areas of business management. This can facilitate women to excel in decision making process and develop a good business network
16. Self help groups of women entrepreneurs to mobilize resources and pooling capital funds, in order to help the women in the field of industry, trade and commerce can also play a positive role to solve this problem.
17. To establish all India forums to discuss the problems, grievances, issues, and filing complaints against constraints or shortcomings towards the economic progress path of women entrepreneurs and giving suitable decisions in favour of women entrepreneurs and taking strict stand against the policies or strategies that obstruct the path of economic development of such group of women entrepreneurs.

Entrepreneurship is not a bed of roses for women. Women participation in many kinds can be encouraged in economic activities to complement to their family income, their participation in no way reduces their family duties. The task of women has become more tedious and full of challenges. Let us all make efforts to help women rediscover themselves.

D. Theories of Entrepreneurship

The drive of entrepreneurship continues to struggle with the development of a modern theory of entrepreneurship. In the past twenty years development of the current theories of entrepreneurship have centered on either opportunity recognition or the individual entrepreneur. There is a lack of clarity about the theoretical assumptions that entrepreneurship scholars use in their work, assumptions from both individual opportunity recognition and economics have been as if they are interchangeable.

Explanations of entrepreneurship have adopted different theoretical assumptions.

- The nature of entrepreneurial opportunities
- The nature of entrepreneurs as individuals and
- The nature of the decision making context within which entrepreneurs operate.

The theories propounded can be categorized as under.

1. Sociological theories
2. Economical theories
3. Cultural theories
4. Psychological theories

The terms “entrepreneur” & “entrepreneurship”

People use the terms “entrepreneur” and “entrepreneurship” interchangeably. The entrepreneur is the person who starts his own business. The exact definition of “entrepreneurship” still remains a vague concept, though various entrepreneurship theories have defined the concept.

- i) Innovation Theory by Schumpeter
- ii) Theory of High Achievement by McClelland
- iii) X-Efficiency Theory by Leibenstein
- iv) Theory of Profit by Frank Knight
- v) Theory of Social change by Everett Hagen

i) Innovation Theory by Schumpeter & Imitating

Joseph Alois Schumpeter (1883-1950) was an Austrian American economist and political scientist.

Schumpeter's theory of entrepreneurship is a pioneering work of economic development. Development in his concept, implies that carrying out of new combination of entrepreneurship is basically a creative activity.

According to Schumpeter, an entrepreneur is one who perceives the opportunities to innovate, i.e. to carry out new combinations or enterprise. Innovation involves problem solving and the entrepreneur is a problem solver. In his views, the concept of new combination leading to innovation covers the following five cases.

1. **New goods-** Introduction of new goods, i.e. the one with which consumers are not yet familiar of a new function.
2. **New method of production** – The introduction of new method of production i.e. yet to be tested by experience on the branch of manufacture, concerned which need by no means to be founded upon a scientifically new discovery and can also exist as a new way of handling a commodity commercially.
3. **New market** – The opening of a new market, i.e. a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.
4. **New source of supply of a raw material** – the conquest of new source of supply of a raw material or semi manufactured goods, again irrespective of whether this source already exists or it has first been created.

5. **New organization-** the carrying out of the new organization of any industry like the creation of monopoly position through fructification or breaking up of a monopoly position.

The carrying out of the above mentioned combinations, Schumpeter calls enterprise and the individual who carries them out as the entrepreneur .

Features of Schumpeterian Theory of Entrepreneurship

1. Distinction between Invention and Innovation-

- Schumpeter makes a distinction between innovation and invention.
- Invention means creation of new things and innovation means application of new things into practical use.
- An innovator is an enterprising person who applies invention in order to make new combinations and thus manufactures new goods for higher Profits.
- An inventor is the creator or producer of ideas whereas the innovator implements these ideas.
- An innovator is the entrepreneur who applies the ideas into commercially viable projects.

2. **Emphasis on Entrepreneurial functions** Schumpeter has given emphasis on the role of entrepreneurial functions in economic development. In his views, development means basic transformation of the economy that is brought about by entrepreneurial functions. Entrepreneurs are prime movers of economic development. They mobilize the resources which are known as five 'M's In modern management i.e. Man, Material, Money, Machine and Method which can be properly coordinated by the entrepreneur to maximize profit from his own venture thereby leading to economic growth.

3. **Presentation on disequilibrium situation through entrepreneurial activity** –The entrepreneurial activity represents a disequilibrium situation, a dynamic phenomenon and a break from the routine or a circular flow or a tendency towards equilibrium. Entrepreneurs therefore plunge into innovative activity to which they are new. According to Schumpeter while he swims with the stream in the circular flow, which is familiar to him, he swims against stream if he wishes to change its channel.

4. **Entrepreneurship in relation the three corresponding pairs of opposition** - Schumpeter determines entrepreneurship and entrepreneurial character by 3 corresponding pairs of opposites. –

- By the position of two real prices the circular flow or the tendency towards equilibrium on one hand and a change in channels of economic routine or spontaneous change in the economic data arising from with the esteem on the other.
- By the opposition of two important apparatus, statistics and dynamics
- By the opposition of two types of conduct, which following reality, we can picture as two types of individuals as managers and entrepreneurs.

5. **Characteristic motives of the entrepreneurial conduct** – In his theory Schumpeter deals with the question of characteristic motives of entrepreneurial conduct. He believes that none of the results to which our analysis is intended to lead stands or falls with psychology of entrepreneur.
6. **Entrepreneurial dream and the will to find a private kingdom** – Entrepreneurial motives are governed by the will power to conquer for establishing private kingdom. The motives of creating things and applying these things into practice inspire the entrepreneur to undertake innovation. According to Schumpeter, dream and the will to find a private kingdom, the will to conquer and finally the joy of creating and getting things done for exercising ones' energy and ingenuity are the motives that inspire the innovative entrepreneur to undertake innovation.

ii) **McClelland's Theory of Achievement Motivation**

David Clarence McClelland (1917 – 1998) was an American psychological theorist. In the late 1940s David McClelland and his associates developed the theory of 'Achievement Motivation', which was regarded as one of the best economic theories of entrepreneurial development. This theory believes that people have three motives for accomplishing things:

1. Need for achievement,
2. Need for affiliation, and
3. Need for power.

McClelland's experiment revealed that traditional beliefs do not inhibit an entrepreneur, and that it is possible to internalize the motivation required for achievement orientation through training.

People with different needs are motivated differently.

1. **Need for Achievement** – High achievers seek challenging projects with reachable goals. They should be provided frequent feedback. While money is not an important motivator, it is an effective form of recognition.

A strong need for achievement is found within certain individuals, groups and communities. McClelland emphasized that the need for achievement or achievement orientation is the most important factor for explaining economic behavior. People having this need are more likely to succeed as entrepreneurs. They strive constantly for success in getting things done in an excellent manner. They try passionately to overcome any odds that come on their way. They are self confident and do not believe in mere luck. They look upon money as the index of their achievement but basically they are not money oriented. Therefore, need for achievement is a desire to do well, not so much for the sake of social recognition of prestige, but for the sake of an inner feeling of personal accomplishment.

2. **Need for Affiliation-** Person with a high affiliation needs to perform best in a cooperative environment.

Persons with high need for affiliation are sensitive to social relationship. They are keen on warm interpersonal relationship. They are associated more with popularity, social support and friendship than with decision-making. They love others and wish to be loved by others. This is not pre dominant among them but this greatly helps them in influencing their subordinates.

3. Need for Power – Management should provide power seekers the opportunity to manage others.

This pertains to the desire by a person to be influential in a group. People with need for power believe in position of authority. They seek leadership in politics, business, education or arts and feel satisfied having a great number of followers. All successful managers seem to have need for power. They derive satisfaction to influence and seek direct authority.

Thus the theory of achievement motivation provides a deep introspection to the human behaviour in general and entrepreneurial behaviour in particular. It also glorifies the necessity of the Achievement Motivation Training as an important tool for achievement of needs.

iii) X-Efficiency Theory by Leibenstein

Harvey Leibenstein (1922 – 1994) was a Ukrainian born American economist

Harvey Leibenstein considered entrepreneurs as gap-fillers. X-efficiency theory is called Gap filling theory. The three traits of entrepreneurship include:

- recognizing market trends
- develop new goods or processes in demands but not in supply
- determining profitable activities

Entrepreneurs have the special ability to connect different markets and make up for market failures and deficiencies.

The Concept of X-Efficiency

Leibenstein introduced this theory of inefficiency generated from non-competition. He was unable to characterize it as motivational or technical, he named it X-efficiency. As a concept it may be summarized as follows: “for a variety of reasons people and organizations normally work neither as hard nor as effectively as they could. In situations where competitive pressure is light, many people will trade the disutility of greater effort, or search for the utility of feeling less pressure and of better interpersonal relations.”

This theory has been used to analyze the role of the entrepreneur. Basically X efficiency is the degree of inefficiency in the use of resources within the firm. It measures the extent to which the firm fails to realize its productive potential for a given set of inputs; productive potential is identified with a point on the neoclassical production frontier. X-efficiency arises either because the firm's resources are used in the wrong way, or because they are wasted i.e. they are not used at all.

Features of X-Efficiency Theory by Leibenstein

1. **Routine entrepreneurship** – By routine entrepreneurship we mean the activities involved in coordinating and carrying on a well-established on going concern, in which the parts of the production function in use are well known for the firm which operates well established and clearly defined markets.
2. **New Entrepreneurship** – By new entrepreneurship ‘the activities necessary to create or carry on an enterprise where not all the markets are well established or clearly defined and /or in which the relevant parts of the production function are not completely known.
3. **Twin roles of entrepreneur** - Leibenstein pointed out that there always exist some deficiencies in the production function or input-output relationship. There, deficiencies or gaps exist because all the inputs in the production function cannot be marketed. So Leibenstein highlighted the twin functions of entrepreneur.
 - a. Gap filling – If not all outputs of production are marketed or if there are imperfections in markets, the entrepreneur has to fill the gaps in the market. Thus ‘the more imperfect the markets, the greater entrepreneurial skills required.’
 - b. Input completing – Economic development requires a large supply of gap filling entrepreneurial skills. A less developed economy most definitely requires innovative entrepreneurs who have the capacity to start firms or reorganize existing firms, which reduces the level of X efficiency.
4. **Efficiency factor** - X efficiency is the degree of efficiency in the use of resources within the firm; it measures the extent to which the firm fails to realize its productive potential.

iv) Theory of Profit by Frank Knight

Frank Hyneman Knight (1885 –1972) was an American economist.

Risk, Uncertainty and Profit propounded the theory of profit. Entrepreneurs are a specialized group of people who bear risk and deals with uncertainty.

1. **Pure profit** – Knight identified entrepreneur as the recipient of pure profit. Pure profit refers to the reward bearing the cost of uncertainty.
2. **Situation of uncertainty** – Uncertainty, is identified with a situation where the probability of alternative cannot be determined either by a prior reasoning or by statistical inference.
3. **Risk bearing capability** – Risk bearing implies assuming the responsibilities of loss or gain that may occur due to unforeseen contingencies of the future. According to Knight, and entrepreneur is the person who willingly carries on those responsible activities which are neither insured nor salaried.
4. **Guaranteed of specified sum**- while undertaking the responsibility of the business enterprise, entrepreneur guarantees interest to lender, wages to employees and rent

to the landlord. The entrepreneur for the assignment made to them guarantees these specified sums of money. However, the supply of entrepreneurship depends upon the following three factors as per his opinion.

- i ability of the entrepreneur
- ii willingness of the entrepreneur
- iii. The power to extend guarantees to others.

5. **Identification of Socio-economic and psychological factors-** Knight identified the social, economic and psychological factors which influence the requirements entrepreneur since entrepreneurial motivation and abilities are long run requirements. Economic, social and psychological factors should be combined to promote entrepreneurship.
6. **Use of consolidation technique to reduce business uncertainty** – Knight's entrepreneurs specifically commit their capital and bear the resultant risk and uncertainty. He argued that using the technique of consolidation to increase profit could reduce business uncertainty. Through the help of consolidation which individual contributions are pooled, total uncertainty can be reduced.
7. **Self-confidence** – Self-confidence is the most important factor, which is essential for the entrepreneur to undertake risk and to determine the level of profit. However, Knight felt that uncertainty defied definition, as every uncertain condition was unique and depended on a number of unknowns in the market place. The elasticity of supply of self-confidence is an important factor that determined the level of profit and size of the entrepreneur.

Knight concluded that the socialist manager would not be as effective as the manager in an enterprise system.

v) Theory of Social change by Everett Hagen

Everett E. Hagen, (1906-1993) professor emeritus of political science and economics, MIT.

Everett E Hagen, in his theory of social change, propounded how a traditional society becomes one in which continuing, technical progress takes place. The theory exhorts the following features, which presumes the entrepreneur's creativity as the key element of social transformation and economic growth.

1. **Presentation of General Model of the society:** The theory reveals a general model of the society which considers interrelationship among physical environment, social structure, personality and culture.
2. **Economic Growth:** Product of Social change and political change. – According to Hagen, most of the economic theories of under-development are inadequate.
3. **Rejection of Followers Syndrome:** Hagen rejected the idea that the solution to economic development lies in imitating western technology. So the followership on the part of the entrepreneur, is discouraged.

4. **Historic shift as a factor of initiating change:** Hagen in his book "How Economic Growth Begins" depicts historic shift as the crucial force which has brought about social change and technological progress thereby leading to the emergence of entrepreneurial class from different cadres and communities.

Withdrawal of status propels the mechanism for rigorous entrepreneurial activity: Closely consistent with the historic shift it is the social group that plunges into rigorous entrepreneurship which experiences the withdrawal of status respect.

Hence, Hagen's creative personality is the admixture of Schumpeter's innovation and McClelland's high need for achievement.

But Hagen's analysis fails to give policy measures for backward countries which are striving for economic development as he identifies status withdrawal as the causal factor in the emergence of creative personality. Hagen's thesis of disadvantaged minority groups has its own limitations. There are many disadvantaged minority groups in India which have not supplied adequate number of entrepreneurs.

E. Process of Entrepreneurship Development

The process of entrepreneurial development consists of creating an entrepreneurial person by

- Imbibing entrepreneurial quality and motivation.
- Developing capacity of sensing, selecting, planning and establishing an enterprise.
- Acquiring ability to successfully manage the set enterprise.

The main methodology can be best classified into stimulatory, support services and sustaining.

F. Entrepreneurial Development Cycle

1. Stimulatory activities

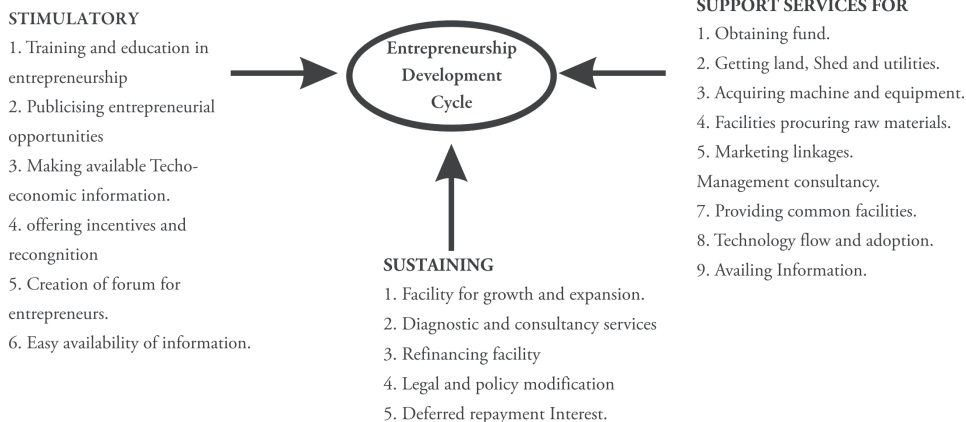
These activities ensure the emergence of entrepreneurs in the society. They prepare the background for the entrepreneurship to sprout and for people to start looking for entrepreneurial pursuits. They generate initial motivation and offer opportunity to acquire skill.

2. Support activities –

These activities help a person to develop into an entrepreneur. They nurture and help entrepreneurship to grow. This can be done by providing the necessary infrastructure in the form of computers, Internet connectivity, offering consultancy and training and providing all required information as to how a person should groom himself as an entrepreneur. Financial assistance for projects and seminars could also promote entrepreneurship. These activities can be promoted in the incubation centre to groom a person to become an entrepreneur.

3. Sustaining activities-

These activities are all those that help in the continuous and efficient functioning of entrepreneurship. These include modernization of infrastructure, encouraging, diversification, providing opportunities and supporting industry-institute interaction through consultancy, promoting quality and organizing need based common facilities centres.



The factors that contribute to the creation of an environment conducive to entrepreneurship development

1. **Globalization:** This opened up global markets for both goods and services.
2. **Availability and fast flow of fund:** The availability and accessibility of funds is increased enormously with more and more new financial markets, both indigenously and globally.
3. **Technology breakthrough:** The growth and acceptance of new technology created unlimited entrepreneurial opportunities to meet global demands of goods and services.
4. **Revolution in information technology:** Revolution in IT brought in unimaginable speed, low cost, easy access to information. This has opened up various opportunities in IT, telecommunications, entertainment, pharmaceuticals, healthcare and mind ware.

G. Interlinking Education, Innovation and Entrepreneurship

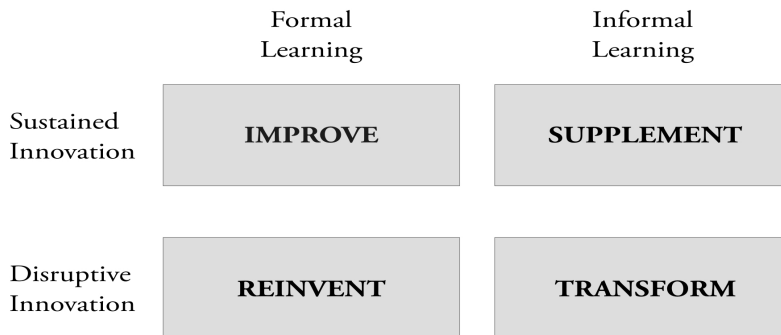
Building Synergies

Generating a critical mass of entrepreneurs oriented to high levels of growth depends on the quality of education provided and the presence of an environment that encourages innovation.

Three interconnected areas provide possibilities for mutually beneficial synergies through the flow of ideas and wealth, which could generate high level of dynamism. These are:

- Education (especially, quality vocational training and skill development),
- Innovation (generating commercial value through new and improved ideas) and
- Entrepreneurship.

Together, these are the cornerstones of inclusive and sustainable growth.



Students all over the country are appearing for standardized exams. Schools / colleges spend upto 40% of the time on test preparation.

Contrast between our present education system and individual's inner potentials are:

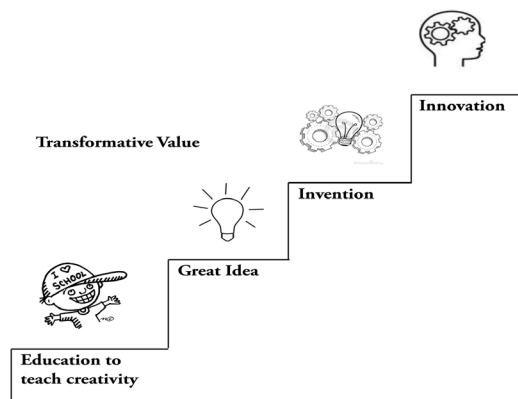
- It is conventional. These systems are becoming more and more standardized; whereas the great pulse of human life is diversity. We all are centers of unique talents and possibilities.
- Our education systems are based on compliance. Whereas the energy of human life is creativity and innovation.
- Our education systems are based on a principle of linearity. Human life is organic. We create our lives.

The time has come to reinvent education we need teachers to guide our students towards learning the best ways to solve problems, to teach creativity and Entrepreneurship and not just memorizing. Right from the school stage, education should encourage original thinking.

Business school learning focus	Entrepreneurial education / training learning focus
<ul style="list-style-type: none"> • Critical judgement after analysis of large amounts of information • Understanding and recalling the information itself • Assuring goals • Seeking to verify absolute truth by study of information • Understanding basic principles of society in the Theoretical sense • Seeking the correct answers with time • Learning in the classroom • Collecting information from experts and authoritative sources • Evaluation through written assessment • Success in learning is measured by knowledge based examination passing. 	<ul style="list-style-type: none"> • “Gut feel” decision making with limited information • Understanding the values of those who convey information • Recognize varied goals of others • Making decisions on the basis of judgement of trust and competence of people • Seeking to apply and adjust in practice to basic principles of society • Developing the most appropriate solution under pressure • Learning while doing • Collecting information personally from everywhere. • Evaluation of people and events through direct feedback • Success in learning by solving problems and learning from failure

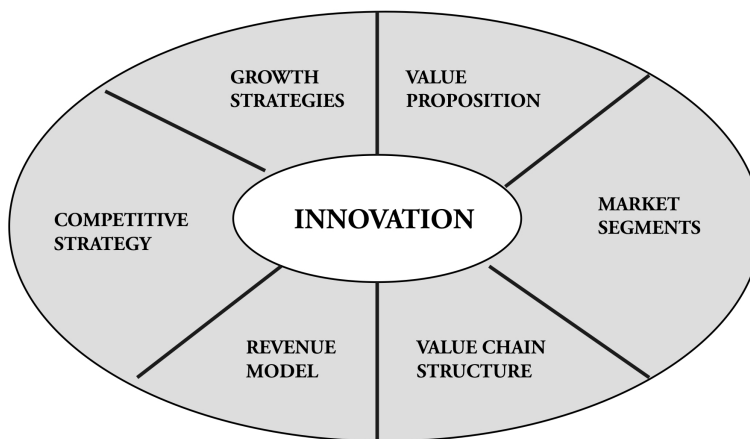
Source: Prof Graham Gibbs, University of Oxford

Education is indispensable for skill development and fundamental to Entrepreneurship and innovation. The ability to innovate and generate commercially valuable new products and processes can only take place in environments that encourage experimentation and value addition.



Innovation catalyzes Entrepreneurship by providing ideas that can be converted into wealth (through goods and services). Innovation helps to reveal market opportunities for Entrepreneurship to develop and flourish. Innovations are not limited to those involving high-end technology alone. Any new idea that generates commercial value is by itself the spur for a new entrepreneur to plan a venture. To quote the economist, T. N. Srinivasan, (*Professor Emeritus of Economics, National University of Singapore*) 'Innovation and Entrepreneurship is a two-way relationship. In one sense, in innovation, someone finds something but that somebody may not be equipped to translate that something into a commercial proposition. That is where Entrepreneurship comes in.'

Business Model Converting Innovation to Economic Value



Significance of Education

The importance of education for social progress and economic development is undisputed. In this respect, the nature and role of education in catalyzing Entrepreneurship, especially in the highly skilled and knowledge-driven sectors is a topic requiring special attention. One major determinant for growth of Entrepreneurship is the availability of adequate number of skilled human resources, people who can take advantage of the opportunities provided by a growing economy at the local, national and global levels. To quote T. N. Srinivasan again: 'If the future demand for labour is going to be in activities which require more skills, more education, more specific training and so on, are we providing them?... We are not anticipating future growth in labour demand of specific categories and providing the facilities to train them.'

At a general level, the multi-dimensional nature of the required entrepreneurial skills originates in education and involves a combination of critical (objective, analytical and logical) as well as creative and empathetic (lateral, imaginative and emotional) thinking. Imparting such skills is a process, which starts right from the school stage. However,

critical aspects of higher education include professional education, Vocational Education and Training (VET) and skill development.

In this respect, the National Skill Development Mission's objectives include the following:

- 'Skills Mapping'
- Expanding and modernizing the existing 'Public Sector Skill Development' infrastructure and its utilization by a factor of five
- Enlarging the coverage of skills from 150 to 1000 trades
- Setting up 50,000 skill development web based learning centres through the PPP mode
- Facilitating the repositioning of employment exchanges as outreach points of the NSDM
- Establishing a National Qualifications Frame-work (with 'equivalence' and horizontal mobility between various VET, technical and academic streams at more than one career point)
- Establishing a 'credible accreditation system', a 'guidance framework' (for all accrediting agencies), a 'national skill inventory' and a 'national database for skill deficiency mapping' on a national web portal as well as a 'trainee placement and tracking system'.

H. Suggestions to Enhance Entrepreneurship

1. Content and Learning Methods:

The NKC consultations with entrepreneurs reveal that it is important to develop pedagogic methods, examination systems and curricula that encourage critical and lateral thinking. The ability to promote Entrepreneurship requires an enquiring mind that is able to make connections between theory and practice. Entrepreneurs feel that there is a need to recreate real-life situations in the classroom with the help of examples and illustrations so that students are able to get a 'concrete feel' of various aspects of the outside world. At the same time, many entrepreneurs also feel that the starting point for reforming teaching methods and encouraging variety in career options, must be at the school stage itself, where the pressure to learn by rote and to join typically stereotypical career paths are huge. Right from the school stage, pedagogy should encourage original thinking and not rote learning. One specific suggestion from several entrepreneurs is to introduce manuals in school curricula on 'How Things Work', on various practical aspects of everyday living.

2. Teaching the basics of Entrepreneurship:

While Entrepreneurship has been introduced as a course in a number of business school curricula, there needs to be a greater thrust in making Entrepreneurship

a priority subject. Other aspects of Entrepreneurship such as business ethics, early enterprise management, aspects of scaling up, Indian corporate law and relevant international laws, should also be a part of such curricula. A noteworthy development is the recent proposal to set up a School of Entrepreneurship offering undergraduate and post-graduate degrees in IIT Kharagpur. Such initiatives need to be encouraged for widespread adaptation in other educational institutions, including institutions located outside metropolitan areas. The involvement of the burgeoning NRI community and alumni networks in funding such schools must be encouraged.

3. Encourage Student-led Entrepreneurial Activities on Campus:

Entrepreneurship cannot be learnt only by 'chalk and talk'. Shared activities outside the confines of the textbook are imperative to develop leadership and team building skills that are necessary for Entrepreneurship. It is necessary to encourage activities within educational institutions, where entrepreneurial abilities find opportunities and fertile ground to grow. In several educational institutions, student led and faculty supported activities have been able to create awareness and prepare necessary mindsets about Entrepreneurship. Examples include the Entrepreneurship and Innovation Cell at IIM Bangalore and the Entrepreneurship Cell at IIT Bombay, which engage in activities such as business plan contests, assisting start-ups and incubation centres.

4. Performance-oriented VET Skill Development:

While the NSDM is a significant and landmark initiative, special care needs to be taken to ensure that NSDM outlays are utilized to actually transform VET. At the basic structural level, the VET policy needs performance-based models that link incentives to outcomes. Further, decentralized approaches in governance and accountability, being rooted in local realities, may be more useful in implementation of VET plans. This could be done through the State Councils for Vocational Training (SCVT) in each state. Fresh thought is needed in understanding the entry-stage requirements of each trainee, according to which tailored supportive courses can be developed. English language skills as well as a transparent industry- backed certification system for each trainee should be made compulsory. Learning by doing needs to be encouraged with renewed vigour, which may require a fresh look into relevant issues enshrined in relevant laws. This is a task where the State must perform its role, and where the industry must also play a valuable role.

5. Enterprise Centres in Major Educational and Research Institutions:

Special enterprise centres focused on translating innovation-driven ideas into viable businesses would greatly enhance Entrepreneurship. Currently,

incubation centres provide assistance to selected start-ups. Enterprise centres in major educational and research institutions can provide institutional support for Entrepreneurship, on a larger scale, and on a more systematic basis. The institutions could also provide extensive industry linkages on different aspects of business, law and finance. Elaborate models of profit-sharing and advisory assistance can also be provided. NKC has already recommended the establishment of IPR Cells in major scientific and educational institutions.

NKC has recommended the enactment of legislation that creates a legal framework for public funded research and provides universities and research institutions the ownership and patent rights. This will create an enabling environment for the institutions to commercialize such inventions through licensing arrangements where the inventors would also receive a share of royalties.

I. Global Impact of Entrepreneurship

An annual assessment of global entrepreneurship called Global Entrepreneurship Monitor (GEM) has studied the impact of entrepreneurial activity on economic growth in various countries. GEM has defined a conceptual model that sets out key elements of the relationship between entrepreneurship and economic growth, and the way in which the elements interact.

The GEM Model

After ten years of collecting empirical evidence, and continuous improvements in the measures adopted, GEM researchers revised the GEM model to reflect the complexity of the causal relationship between entrepreneurship and economic development globally. The revised GEM model is founded on the concept that the contribution of entrepreneurs to an economy varies according to its phase of economic development, and on the realization that the Global Competitiveness Index, on which the original GEM model drew for its General National Framework Conditions, had evolved considerably since the late 1990s.

The revised model introduced a more nuanced distinction between phases of economic development, in line with Porter's typology of "factor-driven economies", "efficiency-driven economies" and "innovation-driven economies" (Porter et al., 2002), and recognized GEM's unique contribution: **to describe and measure, in detail, the conditions under which entrepreneurship and innovation can thrive.**

The revised GEM model also has a new dynamic element in that it incorporates an understanding of how economies change as they develop, and the changing nature and contribution of entrepreneurship in this development:

In factor-driven economies, economic development is primarily driven by basic

requirements: development of institutions, infrastructure, macroeconomic stability and health and primary education.

In efficiency-driven economies, government focus is (or should be) on ensuring smooth mechanisms such as a proper functioning of the market; higher education systems, goods and labor markets and technological readiness. Even though these conditions are not directly related to entrepreneurship in the Schumpeterian sense of “creative destruction”, they are indirectly related since the development of markets will also attract and enable more entrepreneurship.

In innovation-driven economies, entrepreneurial framework conditions become more important as levers of economic development than basic requirements or efficiency enhancers. The outcome of the model is national economic growth through, for example, job creation and technical innovation.

The GEM data collection offers entrepreneurial profiles of economies along three important dimensions. Entrepreneurial attitudes and perceptions reflect the degree to which individuals in economies tend to appreciate entrepreneurship, both in terms of general attitudes and in terms of self-perceptions: How many individuals recognize business opportunities, how many believe they have the skills and knowledge to exploit such opportunities and how many would refrain from exploiting such opportunities through fear of failure? Entrepreneurial activity measures the observed involvement of individuals in different phases of entrepreneurial activity. It also tracks the degree to which entrepreneurial activities are driven by opportunity and/or necessity. Discontinuations of entrepreneurial activity (and the reasons for doing so) are also estimated from GEM Adult Population Surveys. Finally, entrepreneurial aspirations are of key importance in addressing the (socio) economic impact of entrepreneurial behavior. Entrepreneurs that expect to create jobs, to be involved in international trade and/or to contribute to society by offering new products and services are of particular interest.

Since 2008, GEM Global reports have categorized the participating economies by phase of economic development, namely factor-driven, efficiency- driven and innovation-driven economies. Yet as GEM has continued to grow, its geographic coverage has expanded. This gives the opportunity to compare results within and across geographic regions of the world. This report will therefore analyze the findings from the geographic perspective (global regions) and by phase of economic development.

Table: GEM Economies by Geographic Region and Economic Development Level

Region	Factor - Driven Economics	Efficiency - Driven Economics	Innovation- Driven Economics
Latin American & Caribbean		Argentina ¹ , Brazil ² , Barbados ² , Chile ¹ , Colombia, Ecuador, Guatemala, Jamaica, Mexico ² , Panama ² , Peru, Suriname, Uruguay ²	Trinidad and Tobago
Middle East & North Africa	Algeria ¹ , Iran ¹ , Libya ¹		Israel
Sub - Saharan Africa	Angola ¹ , Botswana ¹ , Ghana, Malawi, Nigeria, Uganda, Zambia,	Namibia, South Africa	
Asia Pacific & South Asia	India, Philippines ¹ , Vietnam	China, Indonesia, Malaysia ² , Thailand	Japan, Republic of Korea, Singapore, Taiwan
Europe - Eu28		Croatia ² , Estonia ² , Hungary ² , Latvia ² , Lithuania ² , Poland ² , Romania, Slovak, Republic ²	Belgium, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Spain, Sweden, United Kingdom
Europe - Non- Eu28		Bosnia and Herzegovina, Macedonia, Russian Federation ² , Turkey ²	Norway, Switzerland
North America			Canada, Puerto Rico, United States

1) In transition phase between Factor - Driven and Efficiency-Driven

2) In transition phase between Efficiency - Driven and Innovation-Driven

* Puerto Rico is considered to be a part of North America for its status as an associate state to the United States, even though this economy shares many characteristics of Latin American and Caribbean countries.

J. Entrepreneurship in India

Entrepreneurship has been ‘embedded in the Indian genius and is a part of its tradition’.

To quote the renowned economist, T.N. Srinivasan, ‘India has been an entrepreneurial society...we had the entrepreneurial skill but suppressed it for too long a time... and now it is thriving.’

The entrepreneurial spirit is an ongoing characteristic of India’s history; particularly visible in a number of communities engaged primarily in trading. Traditionally, the Entrepreneurship of such communities is facilitated principally by the successful use of informal ‘entrepreneurial ecosystems’ and interdependent business networks. Further, there is also a rich tradition, covering the past several hundred years, there is a spirit of enterprise.

Entrepreneurship in India occurs in ‘far more encompassing and far reaching ways than in developed countries’, and could therefore be far more complex, ‘for there is so much more

that needs to be done'. Commentators today celebrate the ubiquitous Indian attitude of 'Jugaad' (a Hindi word roughly translated as 'creative improvisation...a tool to somehow find a solution based on a refusal to accept defeat, and calling on initiative, quick thinking, cunning and resolve...to quickly fulfill market demands at the lowest possible prices') as an entrepreneurial trait that has been as much a part of everyday Indian living as its rich tradition of philosophy and speculation.

Entrepreneurship in India has intensified in recent times, particularly with the rise in knowledge-intensive services. New entrepreneurs who do not belong to traditional business communities have begun to emerge in large numbers. Entrepreneurship has grown rapidly, visibly so, creating wealth and generating employment, especially since 1994. Crucial efforts initiated after economic liberalization including systematic attempts to reduce the 'licence raj', greater efforts to make finance more easily accessible to entrepreneurs and other institutional support to 'techno-preneurs' have helped improve the climate for Entrepreneurship.

The opportunities created by today's global knowledge economy coupled with the 'unshackling of indigenous enterprise', have contributed to making India a 'fertile ground' for Entrepreneurship.

The software industry, in particular, its initial growth 'inadvertently left untouched by the State', has today taken giant strides, with the top companies working 'within the market and with a fuller understanding of the rules of international commerce'.

Statistics on the growth of India's technology driven entrepreneurship. In a survey by the Deloitte group, India ranks 2nd globally as home to the fastest growing technology firms. 82 Indian companies entered the Deloitte Technology Fast 500 list of Asia-Pacific Companies in 2007 and the companies that have made it to the Technology Fast 50 of India have an average three-year revenue growth of 489%.

In this respect, particularly in high skill innovation driven Entrepreneurship, the opportunities offered by complex and interconnected global networks are also relevant. The ability to 'adapt to changing market conditions and anticipate future technologies and economic trends' and leverage across a large number of markets provides 'opportunities for exploiting economies of scale.' As such, comparative knowledge leverage at lower costs would play a key role in the race to achieve economic competitiveness.

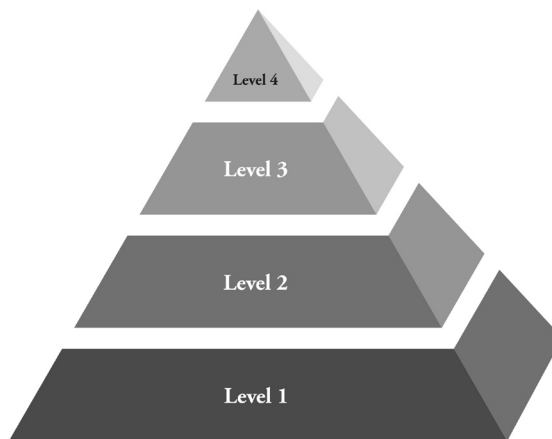
Recent surveys, i.e in 2007 such as those undertaken by Goldman Sachs and Price Waterhouse Coopers, have estimated that India has the potential to be among the world's leading economies by 2050. Further, India's economy can potentially gain significantly from the country's characteristic features — a democratic open society, a strong technology base (with capacity for leapfrogging), unparalleled diversity, vibrant capital markets (including growing private equity and venture capital markets), an increasingly youthful

population (50% of India is 25 years and younger), a sizeable market of a large number of customers with vast unmet needs as well as an environment of full and free competition in the private sector.

In this situation, India enjoys enormous potential for the creation of wealth through knowledge. Entrepreneurship and Innovation are the key drivers for generating wealth from knowledge, supported principally by the availability of skilled human resources, access to finance and the ability of the State to create an enabling environment.

The Entrepreneurship 'Pyramid' in India (in terms of sectors and numbers of people engaged) is made up of the following:

Entrepreneurship Pyramid



A study by National Knowledge Commission, Govt of India, 2008

This 'pyramid' is illustrative and provides an understanding of the type of sectors in which Entrepreneurship takes place in India.

Level 1: Agriculture and other activities: Crop production, Plantation, Forestry, Livestock, Fishing, Mining and Quarrying.

Level 2: Trading services: Wholesale and retail trade; Hotels and restaurants

Level 3: Old economy or traditional sectors: Manufacturing, Electricity, Gas and Water supply

Level 4: Emerging sectors (including knowledge intensive sectors): IT, Finance, Insurance and Business services, Construction, Community, Social & Personal Services, Supply Chain, Transport Storage, Communications etc.

Levels 2 and 3 (Trading and Manufacturing) of the above pyramid comprise the traditional areas of Entrepreneurship.

Level 4, on the other hand, is an emerging/modern sector of Entrepreneurship with high growth rates.

In future we may expect a broadening of Levels 3 and 4 with the activities from Levels 1 and 2 migrating to the other levels.

K. Misconceptions About Entrepreneurship

Common Misconceptions About Entrepreneurship

There are a number of misconceptions around what it takes to start a business. Working for yourself and running your own enterprise does provide for certain benefits and freedoms, but simultaneously comes with a number of responsibilities and challenges.

1. ‘Entrepreneurs are born and not made’

Great entrepreneurs are made through nurture, not through nature.

2. Overnight success is possible in business

Truth is, it takes ten years to achieve an overnight success.

3. It is all about Idea

The truth is that entrepreneurship is 10 % idea and 90 % execution.

4. You make your own hours

You are thinking about a thousand different things and are therefore always working.

5. It doesn't have to be.

There are many entrepreneurs who are reluctant to take risk, testing everything to make sure they're making the best decisions.

6. There are two types of entrepreneurs.

There are the hard-working founders that live to work and work to live. They are constantly at the office changing the world. That's great, but it doesn't apply to all entrepreneurs. Others start businesses to experience the opposite effect. They want more freedom and want to work less. This type of person has been called a “lifestyle entrepreneur.”

7. You can still separate Personal from Professional

When you become an entrepreneur, your business and success become an obsession. You can't just turn off your brain when you come home from work, an idea that requires quick action can happen at any time (while sleeping, in the shower). There is no wall separating your personal life and work. But don't worry, it's still fun!

8. I won't have to report to anyone.

You are accountable to multiple bosses, also known as your clients or customers.

Keeping them happy takes good organizational skills and constant communication. You have to report to yourself. The toughest employee to manage is 'YOU'.

9. I will be able to do whatever I want and work the hours I want.

Most entrepreneurs do some of what they want ... plus a lot of things they have never done before. You may be the president of your business, but you are also the secretary, accountant, salesperson, and custodian.

10. I will make lot of money, perhaps become wealthy.

Pay attention to net revenue, not gross.

11. Business will come to me.

Whatever your specialty, you'll have to sell, sell, sell. There is no substitute for meeting your prospective clients or customers in person.

12. I will no longer have to deal with office politics or red tape.

Every industry comes with its own politics and red tape. You must learn the requirements for yours and establish your own criteria for dealing with them.

13. As a business owner, I will enjoy recognition and security.

You will need to pat yourself on the back continually. It is often lonely being an entrepreneur. The first five years are particularly rigorous due to irregular income and constant long work hours. You must have a great deal of personal and emotional stamina to motivate yourself and boost your self-esteem.

14. I don't need help. I am a talented person with a proven track record therefore, I will be successful.

You will need all the help you can get. Surround yourself with the best resources to advise you on business, marketing, legal, accounting, and financial planning matters. Good advice is meant to give you a return on your investment. Listen with an open mind and put your ego in your back pocket.

15. Anyone can be an entrepreneur.

Being an entrepreneur is challenging and offers the potential for great personal fulfillment. You have the freedom to choose your own environment and develop the kind of business you want. Entrepreneurship requires long hours, hard work, and heavy responsibility.

16. 'Entrepreneurship only takes place in a business context'

Entrepreneurship is often associated with wealth creation in a business context. However, the same sets of behaviors and activities may be found in a number of other contexts – public sector, voluntary sector and other non-profit organizations, social enterprises.

17. 'Entrepreneurship cannot be taught'

In teaching entrepreneurship, the subject can be approached from a functional, managerial perspective – studying the processes of start-up, sources of appropriate finance, forms of legal entity, the management of growth, exit strategies, etc.

L. The Entrepreneurial Activities

From exploring the various aspects of the entrepreneurial context to identifying opportunities and possible competitive advantages to starting and managing the entrepreneurial venture, entrepreneurs make decisions and engage in activities that are entrepreneurship in action. Lets take a closer look at each of these decisions and activities.

1. Exploring the entrepreneurial situation and deciding

The context determines the rules of the game and which decisions are likely to be successful. Entrepreneur must be aware of this context within which entrepreneurial decisions are made. Only through exploring the situation entrepreneurs can discover the untapped opportunities and competitive advantages that may lead to the development of a potentially successful entrepreneurial venture.

2. Identifying opportunities and possible competitive advantage

The positive external trend provides unique and distinct possibilities for innovating and creating value. Just identifying opportunity is not enough. The entrepreneurial process also involves pinpointing a possible competitive advantage. Having a competitive advantage is crucial for an organization's long-term success and survival.

3. Starting the venture

Once entrepreneurs have explored the external context and identified possible opportunities and competitive advantage, they must look at the issues involved with actually starting up their entrepreneurial venture. Included in this phase are the activities namely researching the feasibility of the venture, planning the venture, organizing the venture, and launching the venture.

4. Managing the venture

Once the entrepreneur has the entrepreneurial venture up and running, then they need to recognize and understand that there is more to entrepreneurship in action than just starting the venture. An entrepreneur also must effectively manage the venture by managing process, managing people and managing growth.

M. The Entrepreneurial Process

In the game of entrepreneurship, the process is more important than the goal. When you start

building a business, you begin a journey, a process. This process has a beginning and an ending and between the beginning and end lays a lot of challenges. You will win only if you remain faithful to the process.” – Rich Dad

Entrepreneurship is a process; a journey, not a destination. You can never build a successful business without undergoing the entrepreneurial process and there's no exemption to this rule. Following is the Entrepreneurial Process of Starting a Business from scratch

1. Experience the entrepreneurial outburst

The entrepreneurial process usually begins with the entrepreneurial seizure. Every entrepreneur experiences this outburst and you can know you've been affected by it when you begin to ask yourself any of these questions

- a. Why can't I be my own boss?
- b. Am I tired of this 9-5 job?
- c. I work so hard but my boss doesn't recognize me.
- d. Why am I working for my boss when I can go out on my own?
- e. I am gifted, why can't I make money with my gift?

Once you begin to nurture these perceptions, the entrepreneurial process has begun. It's in this phase that you will begin to question conventional wisdom. During this stage, the primary keywords on your lips would be: Why, how, what, when, who and where.

2. Discovery

The stage, in which the entrepreneur generates ideas, recognizes opportunities and studies market.

3. Plan the business

Any entrepreneur who makes it through the first stage usually begins to draw up a plan of a proposed business venture. In your spare time, you will fantasize, scheme and plot. You will imagine yourself being at the helm of affairs. You will begin to analyze the possibilities of going ahead with your business idea; once you have drawn a business plan, know that you've just completed the phase two of the entrepreneurial process.

4. Make mistakes and learn

In the process of planning your business, you are bound to make some mistakes. Your mind will begin to show you reasons why building a business is not for you. You will begin to see reasons why you need your job more than ever. You will also experience some disappointments that will make you almost quit.

Many entrepreneurs don't go beyond the phase of the process; their dreams die in the planning phase. There are entrepreneurs with solid business plan; but back out of the process simply because no one wants to invest in their idea.

“The biggest challenge you have is to challenge your own self doubt and your laziness. It is your self doubt and your laziness that defines and limit who you are.” – Rich Dad

That’s why this third phase is all about making mistakes and learning from them. Even if no one wants to invest in your idea, keep learning and improving on your plan. You might make a couple of mistakes but don’t quit. If you can boldly forge ahead despite disappointments, you will move on to the next phase of the process.

“Underneath every mistake in business is a valuable lesson. Unfortunately, many entrepreneurs miss these lessons because they give up and blame others for these mistakes.” – Ajaero Tony Martins

5. Start a Business

“Start small and dream big.” – Rich Dad

Many come up with bright ideas and write powerful business plans but only few ever dare to start a business. Identify and acquire the financial, human and capital resources needed for the venture startup.

6. Sustain the business

Starting a business is just the beginning of the game; sustaining that business is where the real challenge lies. This is where you fight to keep the business you have started afloat. You will have to handle competition, find customers, deal with critical business challenges, pay bills upon bills, deal with employees and so on. This is where the stress of running a business gets worst.

7. Make mistakes and learn

This is the phase where many new businesses go down. This phase is the reason why 99% of all small business startups fail in their first five years. At this point, silly business mistakes will be made that will result into loss of cash, customers or crucial employees. This is the point where you begin to regret why you ever started a business. If you are not strong hearted, you will let go the dream of building a business.

“Sometimes when you innovate, you make mistakes. It’s best to admit them quickly and get on with improving your other innovations.” – Steve Jobs

What smart entrepreneurs do at this phase is to seek new answers. They assess themselves to see the necessary entrepreneurial skills that are lacking. They attend seminars, read books on business and entrepreneurship, find a business mentor or form strategic alliances.

“One of the great things about being willing to try new things and make mistakes is that making mistakes keeps you humble. People who are humble learn more than people who are arrogant.” – Rich Dad

“There are no mistakes in life, just learning opportunities.” – Rich Dad

8. Stick to the process

"You can always quit, so why quit now." – Rich Dad

Only few entrepreneurs ever get to this phase because it takes a lot of time, resources and commitment to stay on this phase. Getting to this phase might take about three to ten years from the point of starting the business.

9. Actualization

The stage in which the entrepreneur operates the business and utilizes resources to achieve its' goals/ objectives.

10. Build a successful business

If you stick to the process without quitting, you will finally have the business of your dreams right in your hands. This is the phase where your business needs you no more because your presence or absence will have little impact on its growth. This is the phase where you celebrate your achievement. At this point, you can choose to either exit the business or stick with it. But regardless of the choice made, the money will keep flowing.

11. Count your wins or losses

Every successful entrepreneur usually comes to this phase. This is the phase where you reflect over the process of building a business; the business challenges you overcame, the games you won or lost and the business failures you have experienced. This is where you share your story of success or failure with others; this phase where you decide if the entrepreneurial process was really worth undergoing.

12. Retire or repeat the process

This is the final phase of the entrepreneurial process. Less than 20% of all entrepreneurs that started the process reach this phase. At this phase, you are self made and you can choose to either retire or repeat the process. I said retire or repeat the process because I have seen entrepreneurs who start the process all over again even after building a successful business. Others will retire but come back to repeat the process because of the challenges and excitement it offers. So whatsoever choice you make is left for you to decide.

These are the phases that make up the entrepreneurial process. There is no end to the entrepreneurial process. It goes on and on.....An entrepreneur must find, evaluate, and develop an opportunity by overcoming the forces that resist creation of something new.

Aspect of the Entrepreneurial Process

Identity and Evaluate the Opportunity	Develop Business Plan	Resources Required	Manage the Enterprise
1.Opportunity assessment 2. Creation and length of opportunity 3. Real and perceived value of opportunity 4. Risk and returns of opportunity 5. Opportunity versus personal skills and goals 6. Competitive environment	1. Title Page 2. Table of Contents 3. Executive Summary 4. Sections 5. Description of business 6. Description of Industry 7. Technology Plan 8. Marketi 9. Financial Plan 10. Product Plan 11.Organization Plan 12. Operational Plan 13.Summary Appendices (Exhibits)	1.Determine resources needed. 2. Determine existing resources 3. Identify resources, gaps and available suppliers 4. Develop access to needed resources.	1. Develop management style. 2. Understand key variables for success. 3. Identify problems and potential problems 4. Implement control 5. Develop growth strategy

N. Factors Affecting Entrepreneurial Growth – Economic, Non-Economic Factors

1. Situational factors
2. Motivational factors
3. Environmental factors
4. Economic factors
5. Social factors
6. Cultural factors
7. Personality factors

1. Situational Factors:

The personal and family background does not explain why a large number of persons coming from similar background do not take entrepreneurial initiative and action. Apart from such background, people are also affected by overwhelming socio-economic or political events termed as situational forces which can be classified into two types : negative pushes and pulls and positive pushes and pulls. These forces are directional and sometimes lead a person to take up entrepreneurial initiative.

These are explained below:

- A. Negative push and pull factors:** The forces include political economic, social, job-related displacement and business displacement. These are defined below:

- i) **Political displacement:** This includes events like war or other political persecutions, which displace a person from his status or living. It creates a strong urge to achieve a position which was lost due to disturbances.
- ii) **Economic displacement:** This includes events like loss of money, loss of employment or death of the earning member causing a loss of economic status. It creates an urge to be economically well to do. Such deprivation leaves a deep impression and spurs them to act to remove economic hardship and influence them to take entrepreneurial initiative.
- iii) **Social displacement:** Certain events like imprisonment or loss of economic status affect a person's social status in the society.
- iv) **Job-related displacement :** Job-related displacements are caused when a person is frustrated at his job, or is fired, demoted, transferred or retrenched.
- v) **Business displacement :** Business displacements are caused due to imposition of new rules and regulations or market changes which result in the winding up of the business or loss of business.

Examples:

K K Patel of Nirma felt that the job did not provide him sufficient income to meet the growing needs of his family, B.R.Taneja of Indian Seamless experienced intellectual frustration on the job as he was not allowed to implement their new ideas.

Aspi Balsara had to move into manufacturing line as the restriction on import of sanitary ware affected his trading business.

B. Positive push & pull factors: There are certain positive factors which can lead a person to take up entrepreneurial career. The following factors are considered as pushes and pulls for a person to be an entrepreneur:

- i) Offer of a financial support
- ii) Offer from the previous employers and entrepreneurs or would be customer.
- iii) Offer of partnership
- iv) Offer of coaching by mentor
- v) Support through Political affiliation
- vi) Offer by a family member
- vii) Offer by peers and colleagues

These forces strengthen the desire for taking up entrepreneurial initiative and facilitate actions in implementation.

2 Motivational factors:

Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get the desired results.

Motivational forces create a strong drive in individuals to look for alternatives or choose a path of life to satisfy their urge. Major drives to start own enterprises are

- i) Urge to implement new and innovative ideas and to take challenges.
- ii) Need for independence or autonomy or freedom.
- iii) To get the feel of sense of achievement
- iv) To improve the quality of life
- v) Educational background
- vi) Occupational experience
- vii) Family background
- viii) Assistance from financial institution
- ix) Availability of technology

Example of Camlin brand : Sitting in an Irani café with a friend, drinking tea, found D. P. Dandekar's eye drawn to an advertisement for Camel cigarettes. A camel, storing essential nourishment in its hump, can run for miles across the desert. "Once you store ink in the fountain pen, you can write for miles." So the Camel brand came into existence.

3. Environmental Factors : Environment means sources of external support (other than self, family, peers, mentor, partners) or hurdles perceived while interacting with institutions. These supports or hurdles normally pertain to finance, technology, management and industrial policies.

A supportive economic environment is important not only to stimulate entrepreneurship but also for the success of enterprises. Environmental factors are powerful mechanisms for government to intervene to increase and strengthen the entrepreneurial base in the country.

Some of the environmental factors are:

- i) Availability of capital from financial institutions as a major source of startup
- ii) Availability of skilled and low cost labour
- iii) Technological know how or if they themselves are technocrats.
- iv) Training assistance
- v) Licensing policy
- vi) Import and export policy
- vii) Taxation policy
- viii) Industrial policy
- ix) Government incentives and subsidies
- x) Government bureaucracy
- xi) Labour union problems
- xii) Land availability
- xiii) Utilities - Power, Water, Internet
- xiv) Transport / Logistics
- xv) Availability of Raw material

Example - Amul – Dr Verghese Kurien - Angered by unfair and manipulative practices followed by the trade, the farmers of the district approached the great Indian patriot Sardar Vallabhbhai Patel for a solution. He advised them to get rid of middlemen and form their own co-operative, which would have procurement, processing and marketing under their control. In 1946, the farmers of this area went on a milk strike refusing to be cowed down by the cartel. Under the inspiration of Sardar Patel, and the guidance of leaders like Morarji Desai and Tribhuvandas Patel, they formed their own cooperative in 1946. This co-operative, the Kaira District Co-operative Milk Producers Union Ltd. began with just two village dairy co-operative societies and 247 litres of milk and is today better known as Amul Dairy. Amul grew from strength to strength thanks to the inspired leadership of Tribhuvandas Patel, the founder Chairman and the committed professionalism of Dr. Verghese Kurien, who was entrusted the task of running the dairy from 1950.

4. Economic factors

i) Adequate overhead facilities:

Profitable innovations require basic facilities like transportation, communication, power supply etc. They reduce cost of production and helps to increase profit.

ii) Availability of capital

Inventions are capital oriented. In less developed countries most capital equipment have to be imported which involves foreign exchange which poses a difficult problem.

iii) Great risk

Risk is high in case of less developed countries as there is lack of reliable information, market for goods and services is small.

iv) Availability of labour and skills

Though there is abundant labour supply there is generally scarcity of skills at all levels.' In view of the haphazard development of economic zones, Government is encouraging the entrepreneurs to establish their business in backward and tribal areas. This is primarily to prevent the migration of people from the villages to cities and to create employment opportunities locally. Government is promoting such development by giving incentives like tax holidays (both sales and income), subsidized power tariff, raw materials, transportation.

Example - Success story of DTDC franchisee owner - Wilfred Pereira: A Taxi Driver to Multimillionaire. The proud owner of three DTDC franchises, used to work in a travel company that supplied tourist taxis for Reliance. It all changed when he was on duty for transporting General Manager at Reliance and a DTDC franchise owner. He offered Wilfred a job as a manager in the Vashi, Mumbai DTDC franchise. Soon, he came to know about the opening of a franchise at Nerul and he jumped at the opportunity. The

rest is history. He says, “Today, I am an owner of three franchises and planning to add a few more. I am a proud DTDCian and a multimillionaire”.

5. Social factors

A society that is rational in decision making would be favourable for decision making. Education, research and training is given less importance in less developed countries therefore there is very little vertical mobility of labour.

Example – Dhirubhai Ambani - While the British Raj was ending in Yemen, many Indian expatriates went either to Britain in search of better life or came back in India. Dhirubhai choose the latter and started his business; first an import-export firm, then Reliance Industries and after years of hard work his dream to make the world’s largest oil refinery of the world was completed in 1999 Jamnagar, Gujarat.

6. Cultural factors

Religious, social and cultural factors also influence in individual taking up an entrepreneurial career, in some countries there is religious and cultural belief that high profit is unethical This type of belief obstructs growth of entrepreneurship.

Example - Ardeshir Godrej - The founder of the Godrej group of companies. Ardeshir Godrej failed twice (first as a lawyer and then in the manufacturing of surgeon’s equipment) but he learned the first lesson for success; and that is failure.

One fine morning he was reading the daily news, and there was news that burglary in Bombay is increased and locks aren’t proving useful as they should be. He looked that as a business opportunity and started to research about making locks. This venture of his just picked up. For this he is also known as the lock-master of India. Then he also made the first soap ever without animal fat: Cinthol, which is still used by millions of people.

The locks made his company famous and now the Godrej group has diversified itself in the business of real estate, appliances, security, FMCG products etc.

7. Psychological factors

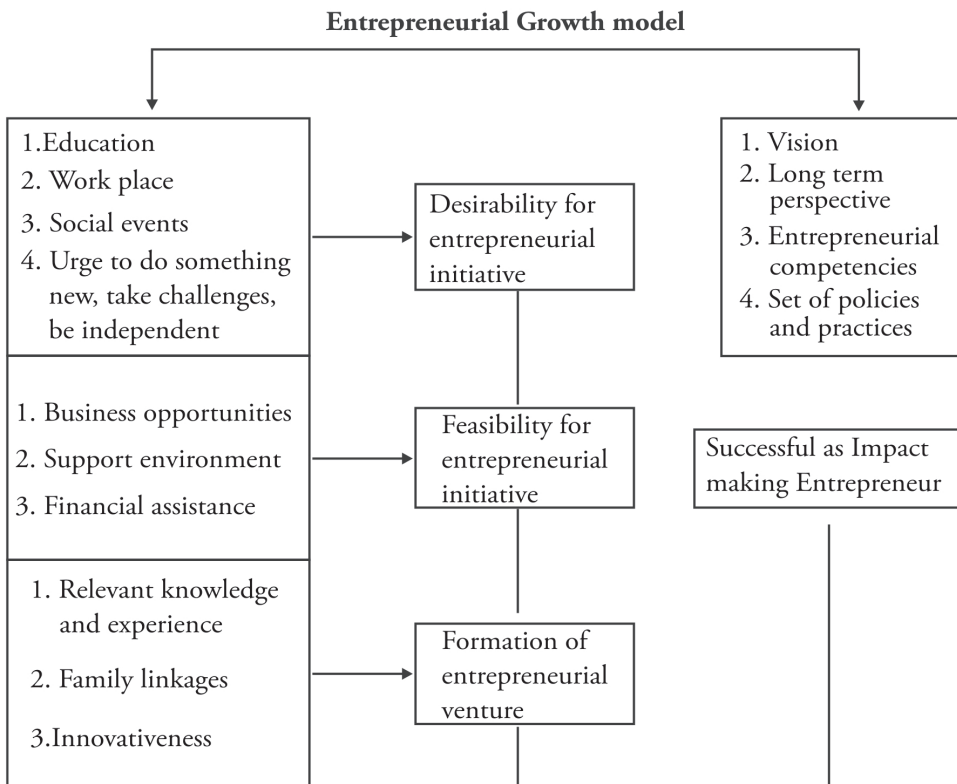
The psychological factors like high need for achievement, determination of unique accomplishment, self confidence, creativity, vision, leadership etc., promote entrepreneurship among individuals. On the other hand psychological factors like security, conformity and compliance need for affiliation etc. restrict promotion of entrepreneurship.

Example - Jamshetji Tata is the founder of the Tata group of companies, biggest Indian conglomerate of India employing more than 4 lakh people and with revenue boasting of USD 83 billion.

His started his adventurous life in business by setting a cotton mill in Bombay. His dream

was to set-up a iron and steel company, a science institution where one can learn science, a world-class hotel, and a hydro-electric plant.

Only one of his dreams got completed in his lifetime but his successors were able to complete all the others as well. The one which got completed was the Taj Mahal Hotel. Also, according to legends he set his minds on constructing such a hotel because once when he visited a foreign country and he was denied entry in to it.



O. Problems Faced By Entrepreneurus

Entrepreneurs face a number of problems in the establishment of units and during production, marketing, distribution, procurement of raw material and availing incentives offered by the State and Central Governments.

The problems of entrepreneurs may be divided into 2 groups

1. Internal problems are those, which are not influenced by external factors.
2. External problems – are those, which result from factors beyond the control of the entrepreneurs

Internal problems of entrepreneurs

1. Planning

- a. Technical feasibility
 - Inadequate technical know-how
 - Locational disadvantage
 - Outdated production process.
- b. Economic viability
 - High cost of inputs
 - Break-even point too high
 - Uneconomic size of project
 - Choice of idea
 - Feeble structure
 - Faulty planning
 - Poor project implementation
 - Lack of strategies
 - Lack of vision
 - Inadequate connections
 - Lack of motivation
 - Underestimation of financial requirements
 - Unduly large investment in fixed assets
 - Overestimation of demand

2. Implementation

Cost over runs resulting from delays in getting licences, sanctions and inadequate mobilization of finance.

3. Production

- a. **Production Management**
 - Inappropriate product mix
 - Poor quality control
 - Poor capacity utilization
 - High cost of production
 - Poor inventory maintenance and replacement
 - Lack of timely and adequate modernization and so on.
 - High wastage
 - Poor production
- b. **Labour management**
 - Inefficient handling of labour problems
 - Excessive manpower
 - Poor labour productivity

- Poor labour relations
- Lack of trained skilled labour or technically competent personnel

c. Marketing management

- Dependence on a single customer or a limited number of customers / inlets or a limited number of products.
- Poor sales realization
- Defective pricing policy
- Booking of large orders at fixed prices in an inflationary market
- Weak market organization
- Lack of market feedback and market research
- Unscrupulous sale or purchase practice

d. Financial Management

- Poor resource management and financial planning
- Faulty costing
- Dividend policy
- General financial indiscipline and application of funds for unauthorized purposes
- Deficiency of funds
- Over trading
- Unfavorable gearing or keeping adverse debt equity ratio
- Inadequate working capital
- Absence of cost consciousness
- Lack of effective collection machinery

e. Administrative management

- Over centralization
- Lack of professionalism
- Lack of feedback to management
- Lack of timely diversification
- Excessive expenditure on R & D

External problems of Entrepreneurs

A. Infrastructural

- Location
- Power
- Water
- Communication
- Irregular supply of raw material
- Transport bottlenecks

B. Financial

- Capital

- Working capital
- Long term funds
- Recovery
- Marketing
- Taxation
- Raw material
- Industrial and financial regulations
- Inspections
- Technology
- Government policy
- Administrative hurdles
- Corruption
- Lack of direction
- Competitive & volatile environment

Specific management problems

1. Deficiencies in Management
2. Financial adequacy
3. Manufacturing and technical problems
4. Product planning
5. Selection of equipment, plant and machinery
6. Human Resource development
7. Technical know how
8. Preparation of project

P. Entrepreneurship Development Programs

I Importance of Entrepreneurial Training

Education is an important factor in determining the entrepreneurial orientation in individuals. Education may be in the form of informal or formal. The informal form of learning stresses, the importance of early role models and reinforcement patterns on the acquisition and maintenance of entrepreneurial behavior. Role models could be parents or peer groups who provide specialisation training in entrepreneurship. Formal education is also positively needed for with entrepreneurship. It has also been reported that entrepreneurs of healthy units, on an average, had a higher level of education compared to those who owned sick units.

During liberalization, which started in India in 1991, India exerted greater effort to promote and nurture entrepreneurship. Attempts at various levels have taken place to directly or indirectly promote entrepreneurship.

Over the past two decades there has been a growing debate about how well educational systems prepare young people for adult life in general and ‘enterprise’ in the world of work in particular.

The table below provides a summary of the various aspects of entrepreneurship education:

What <ul style="list-style-type: none"> • Enhancing entrepreneurial behavior and mindset • Building self-confidence, self efficacy and leadership • Creativity, innovation and ability to think ‘out of the box’ to solve problems • Managing complexity and unpredictability • Basic business and financial skills’ business literacy’ • Opportunity identification • How to build finance and grow ventures • Developing negotiation skills • Building relationships, network and social capital 	How <ul style="list-style-type: none"> • Interactive, learning centred pedagogies • Multi-disciplinary programs and projects • Case studies, games, simulations, and business plan competitions etc. • Extensive use of visuals, digital tools, multimedia • Learning by doing, hand on • Experimental learning/labs (trial and error) • Projects, internships with start ups • Mentoring and coaching • Interactions with entrepreneurs
Who <ul style="list-style-type: none"> • Students • Teachers and school / college administration • Business people and leaders • Entrepreneurs • Mentors, coaches, advisers • Policy makers 	Where <ul style="list-style-type: none"> • At all school and college levels • Across all disciplines • Compulsory and elective courses • Training institutes • Community centres • Government agencies • Banks • Workplace based training programs • Life long learning

(Source: *Educating the Next Wave of Entrepreneurs*, World Economic Forum, 2009)

EDP is primarily designed to induce motivation and competence among young aspiring entrepreneurs. So the cause and curriculum of Entrepreneurship Development Programme will be so designed that it will induce motivation and competency. The course curriculum of EDP should be designed to cover the following aspects:

1. It will give general introduction to entrepreneurship.
2. It will provide motivational training.
3. It will develop and increase managerial skills of the entrepreneur,
4. It helps entrepreneur to have expert knowledge on various support systems and procedure.

5. It will give develop ideas on project feasibility study.
6. It will encourage plant visits to offer practical knowledge to entrepreneurs.

After deciding on course contents and curriculum on EDP, the next important task is to decide various phases of EDP.

There are three different phases of EDP

1. Pre-training phase
2. Training phase
3. Follow-up phase

1. Pre-training phase:

Pre-training phase consists of all activities and preparation to launch training programme. Pre-training phase of EDP consists of the following activities :

- Selection of seed entrepreneurs for the training programme.
- Arrangements of infrastructure like selection of place of training.
- Deciding guest faculty from education industry and banks.
- Taking necessary steps for initiation of programme.
- Formation of selection criteria to select trainees.
- Making provision with regard to publicity and campaigning for the programme.

2. Training Phase:

The primary objective of training programme is to develop motivation and competency amongst the potential entrepreneurs. Care should be taken to impart both theoretical and practical knowledge to various trainees. The training phase of EDP should be so designed that it should answer the following questions:

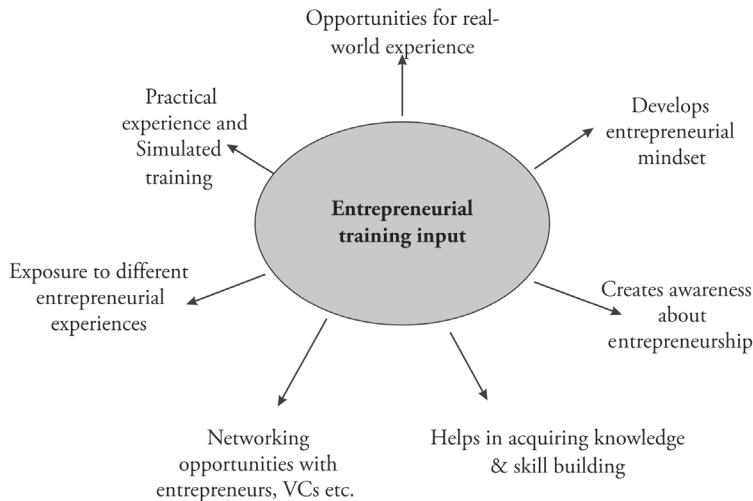
- Whether the attitude of the entrepreneur has been tuned towards the proposed project or not.
- Whether the trainee has been motivated to choose entrepreneurship as a career.
- How the trainee develops like an entrepreneur.
- Whether the trainee has sufficient knowledge on resources and technology.
- What kind of entrepreneurial traits he lacks and what steps should be taken to acquire these.

3. Follow-up Phase:

Follow up phase of EDP has been termed as post-training phase. The ultimate objective is to develop competent entrepreneurs. So that they can start their project. Post-training phase is a review phase of training programme. It consists of reviewing of work in the following manner:

- Review of pre-training work
- Review of actual training programme
- Review of post training programme so that effectiveness of the present programme can be evaluated.

II Entrepreneurial Training Inputs



Entrepreneurs are ordinary people with extra ordinary ideas. More than ideas they have the vision to cash in on their ideas and passion to pursue their dreams. Even when they fail they have the capacity to bounce back.

Entrepreneurship is a mindset. It can be developed and imbibed. This Mindset is critical for any country's socio-economic development.

The Entrepreneurial training should be focused and should bring solutions for a complete range of issues of the business. The main objectives of an arranging entrepreneurial development programme are:

1. To identify and train the potential entrepreneurs
2. To develop necessary knowledge and skills
3. To impart base managerial knowledge and understanding;
4. To provide post-training assistance;
5. To develop and strengthen entrepreneurial quality and motivation;
6. Imbibe the needed entrepreneurial discipline
7. Develop a macro vision about the business
8. Develop respect for integrity and honesty
9. To analyze the environmental issues related to the proposed project;
10. To help in selecting the right type of project and products;
11. Make him learn compliance with law

12. To formulate the effective and profitable project;
13. To encourage entrepreneurs for rapid industrial development;
14. To develop small and medium enterprises sector which is necessary for employment generation and wider dispersal of industrial ownership;
15. To industrialize rural and backward regions;
16. To provide gainful self-employment to educated young men and women;
17. To provide knowledge and information about the source of help, incentives and subsidies available from government to set up a project;
18. To impart information about the process, procedure rules and regulations for setting up a new projects.

Therefore, entrepreneurial development programmes have become imperative for exploiting vast untapped human potentials and to channelize them into accelerating industrialization

III Skills Development & Training organizations for Entrepreneurship Education

The Government and many private organizations run and promote a variety of skills development & training institutes across India, aimed specifically towards the development of micro and small industries. These include specialized management programmes & technology enhancement programmes amongst others.

1 National Entrepreneurship Development Institutes

- i) Entrepreneurship Development institute of India
- ii) Indian Institute of Entrepreneurship (IIE) Guwahati,
- iii) National Institute of Micro, Small and Medium Enterprises (NIMSME), Hyderabad
- iv) National Institute for Entrepreneurship and Small Business Development (NIESBUD), NOIDA

2 Development Commissioner (MSME) Enterprise & Skill Development Programmes

- i) Entrepreneurship Development Programmes (EDPs)
- ii) Entrepreneurial Skill Development Programme (ESDP)
- iii) Business Skill Development Programme (BSDP)
- iv) Management Development Programmes (MDPs)
- v) Industrial Motivation Campaigns (IMCs)
- vi) Vocational and Educational Training
- vii) Tool Rooms and Training Centres

3 Government Assisted EDIs

Government Assisted Entrepreneurship Development Institutes (EDIs)

A] National Entrepreneurship Development Institutes

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

The institute is acknowledged as National Resource Institute Engaged In Entrepreneurship Education, Research & Training. It has been selected as a member of the Economic and Social Commission for Asia and the Pacific (ESCAP) network of Centres of Excellence for HRD Research and Training.

EDII has established centres for micro enterprises, micro finance and sustainable livelihood with a mission of enterprise creation, employment generation and poverty elevation at grass roots through developmental interventions.

The institute has also set up Internal centre for cluster competitiveness, growth and technology. They have created many cluster development models for skill based areas like handicraft have been put on high growth project which reflects the result oriented cluster development model.

To create social entrepreneurs and sensitize corporate houses beyond business responsibility, EDII has established centre for social entrepreneurship and corporate social responsibility.

ii) Indian Institute of Entrepreneurship (IIE), Guwahati With an aim to undertake training, research and consultancy activities in small and micro enterprises focusing on entrepreneurship development, the Indian Institute of Entrepreneurship (IIE) was established in the year 1993 in Guwahati by the erstwhile Ministry of Industry (now the Ministry of Micro, Small and Medium Enterprises),

Government of India as an autonomous national institute.

iii) National Institute of Micro, Small and Medium Enterprises (NIMSME), Hyderabad NI-MSME .an organisation of the Ministry of Micro, Small and Medium Enterprises (formerly Ministry of SSI & ARI), Government of India. The institute works in the domain of entrepreneurship promotion, achieving recognition both at the national level and in the international arena.

iv) National Institute for Entrepreneurship and Small Business Development (NIESBUD), NOIDA NIESBUD is an apex body under the *Ministry of Micro, Small & Medium Enterprises*, Government of India for coordinating and overseeing the activities

of various institutions/agencies engaged in entrepreneurship development particularly in the area of small industry and small business. The Institute started functioning from 6th July, 1983.

B] Development Commissioner (MSME) Enterprise and Skill Development Programs

i) Entrepreneurship Development Programmes (EDPs) The course contents of such Entrepreneurship Development Programmes are designed to provide useful information on product/process design, manufacturing practices involved, testing and quality control, selection and usage of appropriate machinery and equipments, project profile preparation, marketing avenues/techniques, product/service pricing, export opportunities, infrastructure facilities available, financial and financial institutions, cash flow, etc..

ii) Entrepreneurial Skill Development Programme (ESDP) Entrepreneurship Development Programmes are being organized regularly to nurture the talent of youth by enlightening them on various aspects of industrial activity required for setting up MSEs. These EDPs are generally conducted in ITIs, Polytechnics and other technical institutions, where skill is available to motivate them towards self-employment.

iii) Business Skill Development Programme (BSDP) A package has been formulated for the promotion of Micro, Small and Medium Enterprise. The programme has been devised to encourage educated youth basically the final year and pre-final year students of business schools, Technical Institutes to start self-employment ventures of Micro or Small Enterprises and thus instrumental in self-employment generation. It is called “Business Skill Development Programmes” (BSDP).

About 1500 new Entrepreneurs are trained every year. Motivation and Training are the two crucial inputs for promoting entrepreneurship and sustaining the growth of existing small scale industries. MSME-DIs are in close contact with Business Schools, Engineering Colleges and some high level Polytechnics in their jurisdiction who are willing to collaborate with MSME -DIs for organizing such programmes.

iv) Vocational and Educational Training The Regional Testing Centers, Field Testing Stations and Autonomous bodies like Tool Rooms and Technology Development Centers (TDCs) of the Ministry conduct long term, short term, trade/field-specific and industry-specific tailor-made courses as well as vocational training programmes. These include specialized programmes for Engineers, Diploma holders and it is so designed that their absorption by the industry is immediate.

v) Tool rooms / Tool design Institutes (TRs/TDIs) Small Industries Development Organisation (SIDO) has set up 10 Tool Rooms in the country to assist SSI units in their technical up gradation by providing good quality tooling to meet the growing need and

to assist SSI units with the assistance of countries such as Denmark and Federal Republic of Germany who have provided the sophisticated machines with latest technology. Some of the tool rooms have also been set up with the assistance of UNIDO/ILO. These tool rooms are equipped with latest imported equipment like CAD/CAM and specialized CNC machines like CNC milling, CNC copy milling, CNC EDM-Spark erosion, CNC wire cut, Profile grinding, Jig boring, Jig grinding, Vacuum heat treatment etc. to provide tooling of international standards at competitive rates.

C] Govt. assisted EDIs

List of Government Assisted Entrepreneurship Development Institutes (EDIs)

Entrepreneurship Development Institutes (EDIs) assisted (As on 31/03/2008)

- i) Centre for Entrepreneurship Development, Hyderabad (Andhra Pradesh.)
- ii) FAPSIA AP SSI Centre, Industrial Estate, Hyderabad
- iii) Nagavalli Institute of Rural Entrepreneurship Dev, Andhra Pradesh)
- iv) Entrepreneurship Dev. Institute, Near Vill. Bhat, Via-Ahmedab
- v) Centre for Entrepreneurship Development, Gurgaon
- vi) H.P. Centre for Entrepreneurship Dev (HPCED), (H.P.)
- vii) Entrepreneurship Development Institute, Srinagar (J&K)
- viii) Entrepreneurship Development Institute, Jharkhand
- ix) Centre for Entrepreneurship Development of Karnataka
- x) JSS Rural Development & Self Employment Training ,Karnataka
- xi) Deshpandey Rural Development & Self Employment Training Institute., (Karnataka)
- xii) Vijya Bank Self Employment Training Institute, Karnataka
- xiii) Sharda RUDSET Institution, Karnataka
- xiv) Kerala Institute of Entrepreneurship Development, (KIED), Kerala
- xv) Centre for Entrepreneurship Development of Madhya Pradesh
- xvi) Maharashtra Centre for Entrepreneurship Developmen MCED), Aurangabad
- xvii) Institute of Entrepreneurship Development, Orissa
- xviii) Centurion School of Rural Enterprise Management (CSREM), Orissa
- xix) Entrepreneurship & Management Development Institute, Rajasthan
- xx) Centre for Entrepreneurship & Small Business Management, (CESBM) Rajasthan
- xxi) Entrepreneurship Development Institute, Chennai
- xxii) Centre for Entrepreneurship Development , Tamilnadu
- xxiii) Tiruchirappalli Regional Engg. College – Science & Technology Entrepreneurs Tamilnadu
- xxiv) Institute of Entrepreneurship Development, U.P.
- xxv) Society for Entrepreneurship Development, Tripura

- xxvi) Entrepreneurship Development Institute, Kolkatta
- xxvii) MDI-Centre for Entrepreneurship Development, Gurgaon (Haryana)

Comprehensive list of reputed Indian institutes offering diploma/executive programs for aspiring entrepreneurs in new enterprise creation, Family business Management, Agri-entrepreneurship, Services Management etc.

With entrepreneurship as a career option gradually picking up in India, there are many institutes that are offering full-credit courses in entrepreneurship. Some of these are full time residential programs and some are part time.

- i) Entrepreneurship Development of India (EDI), Ahmedabad
- ii) Indian Institute of Management (IIM), Bangalore
- iii) Management Development Institute, Gurgaon
- iv) Xavier Labour Relations Institute (XLRI), Jamshedpur
- v) National Institute for Entrepreneurship and Small Business Development (NIESBUD), New Delhi
- vi) Xavier Institute of Management and Entrepreneurship, Bangalore
- vii) FICCI, New Delhi
- viii) Small Industries Service Institute, New Delhi
- ix) National Science and Technology Entrepreneurship Development, New Delhi
- x) Indian School of Business (ISB)
- xi) S.P. Jain Institute of Management & Research (SPJIMR)
- xii) NSRCEL, IIM-Bangalore
- xiii) IIM, Ahmedabad, Bangalore & Kolkata
- xiv) All India Management Association Center for Management Education, New Delhi
- xv) Indian Institute of Foreign Trade (IIFT), New Delhi
- xvi) Indian Institute of Information Technology and Management (IIITM), Madhya Pradesh
- xvii) Jamia Millia Islamia, New Delhi.

Entrepreneurship Development Programmes

- i) Entrepreneurship Awareness Camps (EAC) for final year engineering, management Students.
- ii) Special Women EDPs (WEDPs)
- iii) General EDPs of One Month duration.
- iv) Product / process specific EDPs.
- v) Skill Development / Upgradation Programmes of 3 Months duration.
- vi) Prime Minister Rozgar Yojana Programme.

- vii) Special EDP for SC and ST
- viii) Technology based EDP for Technocrats
- ix) EDPs for Tribal

IV Problems in Entrepreneurial Development Programme

EDPs in India are affected by a number of problems, which are responsible for low level of success of the programmes. The problems come from the trainers, trainees, and the various organizations imparting training programmes, the supporting organisation and even sometimes the government. Some of the main problems faced by EDPs are narrated as follows:

1. **No clear-cut policy at the national level:** India does not have a clear-cut national policy on entrepreneurship. Therefore, the growth and development of entrepreneurship is put to a halt due to the antithetic attitude of the supporting agencies like banks, financial institutions and other supporting agencies in the absence of a policy at the national level.
2. **No clear-cut objectives:** Majority of institutions engaged in EDP are themselves not convinced and are not certain about the task they are supposed to perform and the objectives to be achieved. They are conducting EDP without design.
3. **No clear-cut course of action:** The course contents are not standardized and the agencies engaged in EDPs are themselves not very clear about the course of action they are supposed to follow. There is no accountability and feed back system for further improvement.
4. **Poor follow-up:** Institutions providing EDPs do not show serious concern for objective identification and selection of entrepreneurs. No follow-up actions follow EDPs after training.
5. **Non-availability of Infrastructural facilities :** EDPs are not successful due to non-availability of adequate infrastructural facilities required for the conduct of EDPs. Rural and backward areas are lacking in proper class rooms, guest speakers, boarding and lodging etc. for successful conduct of EDPs.
6. **Lack of commitment and involvement by the Corporate Sector:** Corporate sector shows less concern for the successful conduct of EDPs. They lack commitment and involvement in EDPs. There seems to be low institutional support entrepreneurs.
7. **Non-availability of competent faculty:** The faculties selected for giving training are not sometimes competent enough to give proper training to prospective entrepreneur. Even if competent and qualified teachers are available, they are reluctant to serve in rural and backward areas. This creates problems for smooth conduct of EDPs.
8. **Non-conducive environment:** Non-conducive environment and constraints in

the backward regions have become a major problem for the conduct of EDPs. It makes the trainer-motivator's role ineffective.

9. **Selection of wrong trainees:** Under EDPs it is assumed that the trainees have aptitude for self employment and training will motivate and enable the trainees in the successful setting up and managing of their enterprises. These agencies thus overestimate the aptitude and capabilities of the educated youth. Thus on one hand the EDPs do not impart sufficient training and on the other financial institutions are not prepared to finance these risky enterprises set up by the not so competent trainers.
10. **Problems at the Pre training Phase.** Various problems faced in this phase are — identification of business opportunities, finding and locating target group, selection of trainees and trainers etc.
11. **Duration of EDPs.** An attempt is made during the conduct of EDPs to prepare prospective entrepreneurs thoroughly for the various problems they will be encountering during the setting up and running of their enterprises. Duration of most of these EDPs varies between 4 to 6 weeks, which is too short a period to impart basic managerial skills in the entrepreneurs. Thus the very objective to develop and strengthen entrepreneurial qualities and motivation is defeated.
12. **Improper Methodology.** The course contents are not standardized and most of the agencies engaged in EDPs are themselves not fully clear about what they are supposed to do for the attainment of pre-determined goals. This puts a question mark on the utility of these programmes.
13. **Mode of Selection.** There is no uniform procedure adopted by various agencies for the identification of prospective entrepreneurs. Organizations conducting EDPs prefer those persons who have some project ideas of their own and thus this opportunity is not provided to all the interested candidates.
14. **Poor Response of Financial Institutions.** Entrepreneurs are not able to offer collateral security for the grant of loans. Banks are not prepared to risk the public money and hence they impose various conditions for the grant of loans. Those entrepreneurs who fail to comply with the conditions are not able to get loan and hence their dream of setting up their own enterprises is shattered. Helpful attitude of lending institutions will go a long way in stimulating entrepreneurial climate.

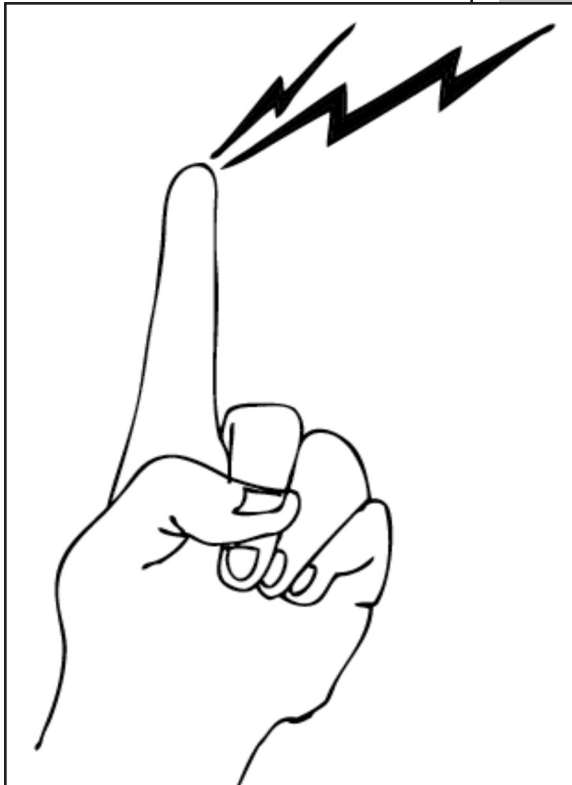
Conclusion

Emerging entrepreneurs are just like infants. They cannot stand on their own feet, at least in the initial stage of their business, without the help of strong support system. The support system helps them knowingly in various forms. It can be in the form of educational and training institutes from where they acquire qualification, necessary for their business. These institutes play an important role in grooming and nurturing

the budding entrepreneurs in the right direction. It is the inspiration taken from the biographies of great industrialists and the efforts taken by the educational institutions these days to develop interests among the aspirants to select entrepreneurship as a career option, that gradually help in transforming the personality of an ordinary individual into the personality of an entrepreneur.

Questions

1. Define entrepreneurship. Explain historical perspectives on entrepreneurship.
2. Discuss the problems and prospects of women Entrepreneurs in India. Do you consider women to be better entrepreneurs than men? If yes why? If no why?
3. What are the reasons of very few women becoming entrepreneurs in a developing country like India?
4. Whether Indian women entrepreneurs have now made an impact and shown that they too can contribute in economic development of the country? Discuss with examples. What measure would you suggest to overcome these?
5. Discuss the role of women in entrepreneurship and attributes of a woman entrepreneur.
6. Explain the prospects of women entrepreneurship in India?
7. What is Work Life balance? Give few tips to keep work Life balance.
8. Write a note on the measures to empower to seize various opportunities and face challenges in business.
9. Explain Innovation theory by Schumpeter & its features.
10. Explain McClelland's Theory of Achievement Motivation& its implications
11. What is the concept of X-efficiency? Explain its features.
12. Explain Theory of Profit by Frank Knight.
13. What are the key elements of the Theory of Social change
14. Which factors contribute to the creation of an environment conducive to entrepreneurship development?
15. Give any 10 misconceptions about entrepreneurship.
16. Explain entrepreneurial process
17. Which economic and non-economic factors affect entrepreneurial growth?
18. Explain Internal & External problems and challenges entrepreneur has to face?
19. Explain Entrepreneurial education & its phases.
20. Give brief note on Entrepreneurship Development Institute of India,
21. What are the problems in Entrepreneurial Development Programme



INSPIRATION
MOTIVATES ALL

INSPIRATION MOTIVATES ALL

THINK !

When you were a KID, Everything was POSSIBLE.

You put the BLANKET over your back, You become a SUPERMAN.

You took your Mom's BROOM and ride on it, Then you became a WITCH.

You climbed the TREE not realising that you might fall, You simply MADE it.

You had an IDEA and you made it happens because, YOU BELIEVED.

You were then CREATIVE with a STRONG BELIEF.

As you became ADULT, Things seemed to be a little DIFFERENT

When you fail in your EXAM, You thought 'I can NEVER make it'.

When you had a brilliant MARRIAGE proposal, Then you thought 'may be it's NOT the right time.'

Now, When you want to start a BUSINESS, You think 'may be it's NOT as easy'

When you are ALREADY IN THE BUSINESS, You heard someone say do not take RISK.

Then, when you have a BRILLIANT IDEA that

Can make more JOBS for YOUR nation

Can provide better LIVING for more people

Can make the nation PROUD

Can help the GROWTH of the nation

And can create a BETTER world

And you said 'I am NOT SURE.....'

You are still CREATIVE but more in DOUBT.



Then YEARS LATER, you heard someone had the same idea as yours,

What makes him DIFFERENT from you?

HIS ACTION.

He puts his IDEA into reality

He's the

Most Promising CREATIVE YOUNG ENTREPRENEUR of the year

His ACTION won him the recognition

Then you started to think, how I WISHED I had taken ACTION that time.

Think you were a KID

IF that idea came by when you were still a KID

Could you have taken ACTION?

Then go BACK, when you strongly BELIEVED

It is never too late.....

You just need to have an IDEA and make it happen

You still can.....if you BELIEVE

Creativity starts from a BELIEF

Creative ideas by ki of Junior International Petaling Jaya "Creativity Starta from" Winner of Young Entrepreneur Award.

"... Our best business missions are based on those ideas that often emerge out of our deepest personal motivations and interests."

-Warren Avis in "Take a Chance to Be First"

The origin of the word ‘Motivation’

The term motivation is derived from the Latin word MOVERE, meaning “to move” To motivate: to move to action, to drive.

The truth is everyone is motivated... towards different things!

What comes first Action or Motivation?

This is a typical chicken or the egg type of question. Depends on how you look at it. THE ANSWER IS ACTION.

Just like the spark comes before the flame.

If there is nothing flammable near the spark then there will be no fire.

The same way, you can't have action for very long time without motivation, i.e. the flammable material. The fire is the burning desire that makes the engine go.

Behaviour is not pushed by a need, it is pulled by a desire.

If you feel you are Not motivated- Take action.

If you Feel low - Take action.

If you feel you are Un-inspired - Take action.

Peculiarity of the words – Motivation & Inspiration

- ✓ Lot of people use the words “motivated” and “inspired” interchangeably.
- ✓ It may seem like a subtle distinction, but the worlds of motivation and inspiration are miles apart.
- ✓ Motivation is **external**, inspiration is **internal**.
- ✓ Motivation is the **push**. Inspiration is the **pull**.

The origin of the word ‘Inspiration’

You might be thinking... “How do I get inspired?” Well, you can't. Inspiration isn't something you get, It comes from within, It comes from your core.

To inspire: means To stimulate to action, To stimulate energies, ideals or devotion.

From where Inspiration Comes?

The root word for inspiration comes from the same word for “to inhale” to breathe.” In other words, it's like a deep breath of life.

When babies are born, the first thing they do is take a deep breath, and use lungs. We all know we need to breathe to live, but can't we say the same for inspiration? Without it, we might as well be dead.

Being inspired is about a constant process of realignment. Whenever you're feeling, you're not enjoying life, it's time to realign. Whenever you feel, you're trying to fulfill your expectation, it's time to realign.

Realignment isn't anything complicated. It's very simple. All it involves is drawing inward and exploring what you really want.

What lights you up? Once you've got a grasp on that, stay with it for a little while. Bathe in it, Smell it, Taste it, Relish it and Feel it. Once you've come to that state of anticipation, you're inspired.

Motivation requires a lot of pushing and prodding. Inspiration on the other hand involves more of a person's inner drive. Simple example will clarify your thoughts.

Motivation is the pedal car.

- It goes. You DO get movement, but it requires more work on your part. You've got to push. Pedal and be there for it to work. The pedal car like motivation can be labour intensive.

Inspiration is the race car.

- Requires less work on your part because the engine is strong and self-powered The race car like inspiration, is much more powerful and can cover greater distance faster.

My guess is that you'd pick the race car over the pedal car, right?

Inspiration motivates to create an Idea

Powerful Motivational Quotes

- If you don't build your dream, someone will hire you to help build theirs – **Dhirubhai Ambani**
- All of us do not have equal talent. Yet, all of us have an equal opportunity to develop our talents – **Ratan Tata**
- Dreams is not what you see in sleep. It is the thing which does not let you sleep – **Dr Abdul Kalam**
- All power is within you; you can do anything and everything. – **Swami Vivekanand**
- Learn from the mistakes of others...you can't love long enough make them all yourselves !!! – **Chanakya**
- Talk to yourself once a day... Otherwise you may miss meeting an excellent person in this world. – **Swami Vivekanand**

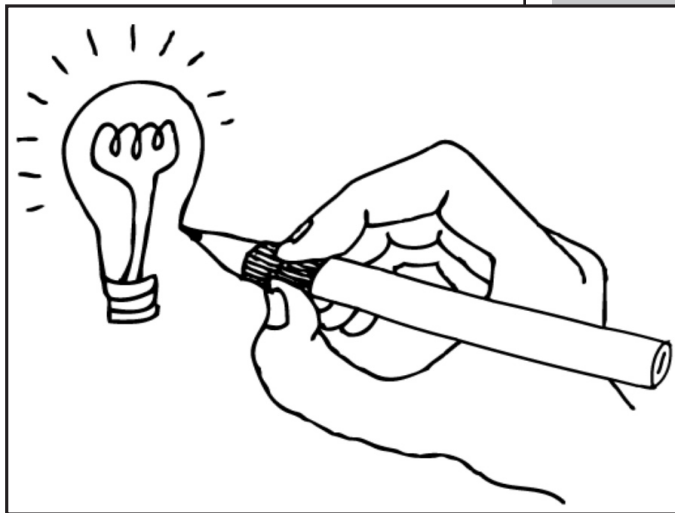
- “I have not failed. I’ve just found 10,000 ways that won’t work.” – **Thomas Edison**
- “If you can dream it, you can do it.” – **Walt Disney**
- “In every success story, you will find someone who has made a courageous decision.” – **Peter F. Drucker**
- “It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.” – **Warren Buffett**
- “Whatever the mind can conceive and believe, the mind can achieve.” – **Napoleon Hill**
- Coming together is a beginning. Keeping together is progress. Working together is success – **Henry Ford**
- Entrepreneurship is neither a science nor an art. It is a practice. – **Peter Drucker**
- Success is walking from failure to failure with no loss of enthusiasm. – **Winston Churchill**
- Your most unhappy customers are your greatest source of learning. – Bill Gates

Powerful motivational quotes by the 15th Prime Minister of India, Narendra Modi

- An opportunity to work is good luck for me. I put my soul into it. Each such opportunity opens the gates for the next one.
- By getting an opportunity to serve society, we get a chance to repay our debt
- In order to succeed, your desire for success should be greater than your fear of failure.
- Individual efforts can bring excellence but only collective efforts can deliver effectively.
- Three Cs = Commit – Connect – Covert.

Questions

1. Explain the term Inspiration.
2. Explain the term Motivation.



IDEA GENERATION PROCESS

IDEA GENERATION PROCESS

- A. Idea Generation – Steps**
- B. Why does the Innovation Process need Ideas?**
- C. Idea Generation to Idea Implementation - Stages**

Entrepreneurs often talk about that Eureka' moment, Newton and the apple era. What they are actually referring to is that instance when everything finally clicks and they come up with that special idea. Getting to this point, however, is the difficult part. So the question remains: is there any formula for generating entrepreneurial ideas?

There are certain steps you can take to get the creative juices flowing.

The first place any individual should start is thinking about your passions, as well as the products and services you would like to see in market. More importantly, if you align these thoughts to your own skills set, you are more likely to succeed.

As the great philosopher Seneca said once, the best ideas are common property. You don't have to come up with a crazy new invention or a new life-changing product or service to be an entrepreneur. Sometime it is the matter of improving the design and the concept. The secret here is to do things bigger, better, faster and more efficiently than others. This could be combining two ideas or solving the problems faced by previous products and services you believe have room for improvement. It could be as simple as streamlining something in a better way than the present available product.

Without an idea, you won't have a business. But having an idea doesn't mean you're on to be a winner either. You have to realize the idea. That requires hard work, determination, and pushing yourself both physically and mentally. After all, what's the point of a great concept if you don't have the patience and drive to make it work?

Aspirants can generate ideas in a number of key venture areas like -

1. New products
2. New services
3. New technologies
4. New combinations of existing and budding ventures
5. New sources of supply
6. New markets and segments

Faced with complex, open-ended, ever-changing challenges, new idea and innovation are a must to stay ahead of the competition.

We need to be on the lookout for new ideas that can drive innovation. So the ability to think differently to generate new ideas, and to spark the creativity becomes an important skill that makes the difference. You need to work actively on building and cultivating this skill, and it can be done!

Often, though, we make the mistake of assuming that good ideas just happen. Or we get caught into the mind trap that creativity is an aptitude; some people have it, others don't. Then there is the other self-defeating belief – “I am not intelligent enough to come up with good ideas.”

These assumptions are rarely true. Everyone can come up with fresh, radical ideas – you just need to learn to open your mind and think differently.

A. Idea Generation:

How to Generate New Ideas

Standard idea-generation techniques concentrate on combining or adapting existing ideas. This can certainly generate results. But here, our focus is on equipping you with tools that help you leap onto a totally different plane. These approaches push your mind to forge new connections, think differently and consider new perspectives.

The ability to generate new ideas is an essential work skill today. You can acquire this skill by consciously practicing techniques that force your mind to forge new connections, break old thought patterns and consider new perspectives.

Along with practicing these techniques, you need to adopt enabling strategies too. These enabling strategies help in creating a positive atmosphere that boosts creativity.

For those of you who aren't ready for an Idea Management tool check out the list below, tried and true Idea generation techniques. These techniques can help stimulate creative thinking or inspire you.

Idea Generation means

- “The process of creating, developing and communicating ideas which could be abstract concrete, or visual.
- The process includes the process of constructing through the idea, innovating the concept, developing the process and bringing the concept to reality.”

Research has shown that there are four main sources for generating business ideas:

1. Invent something new
2. Reproduce someone else's idea with improvement
3. Spot a gap in the market/Answer an unfulfilled need
4. Use your own skills and interests

10 Steps to generating idea for successful VENTURE

You don't have to be a genius to come up with a business idea. It's exactly the opposite! It's really simple to come up with business ideas all the time, however, the challenge lies in coming up with a business idea that works for you and suits your personality and needs.

This is where most people get stuck. Many people want to start on their own and think about it all the time. The big question is, what business should I start? And it is not a small question. Often, the kind of business you are in will decide whether you will be successful or not.

If you have some sort of framework or directions to get your mind focused on business ideas that will suit you and work with your own situation, then you've taken a big step toward becoming successful in business.

1. Start thinking! Get your brain to work

Whether you're too busy with your daily routines to take the time to think and reflect on what you want, or feel that your brain is too pressured and lacking the ability to run wild with your imagination, do not worry.

The first step towards creative thinking is understating how the mind works and how to stimulate your brain. The brain has two main parts; the right and the left hemispheres, each of these has different functions and works differently. The right hemisphere is creative and artistic. It's the part that appreciates art, it uses shapes, colors and images to analyze and process information, and it's also the part that controls creativity and the imagination. The left is the logical part. It's the part that performs mathematical calculations, looks for causes and effects, uses words to describe and define. It's also the part that controls speech, grammar and word order.

For you to be successful in business, you have to have a balance on both sides. You have to be imaginative and creative to come up with business ideas and to come up with creative solutions for business problems. You also have to be logical to analyze and define business opportunities, calculate business risks and weigh your options to deal with the daily business issues.

The brain is like a muscle; you have to give exercise regularly to the brain. Common barriers to creative thinking are habits, attitudes, daily routines, lack of confidence or the constant need for guidance from others. A good way to break or overcome those barriers is to be open-minded, be receptive to new things, take new challenges, or by simply giving your brain the freedom to think creatively. So take the time to think and get your brain stimulated.

Change is one of the best way to stimulate your brain and discover new ideas. A change of scenery can help you clear your mind off your daily issues and give you some clarity to

start thinking creatively, you can go to a garden, beach or anywhere you like and take the time to exercise your brain. By meeting new people and listening to them talking about their issues or frustrations, you can gain a better insight into their needs and aspirations, which is the basis of any successful business. A change of place will also definitely help you discover new ideas which you had not seen or heard of earlier.

2. Buy a notebook

Now that you know how to stimulate your brain and get started with the creative thinking process, you need to keep count on your ideas and make sure that you can document them to study and examine them further.

Every business you can think is started with a small idea somewhere. From a small observation or a frustrating situation. The difference is that people who had those ideas took time to think about those ideas and improved on them to create successful businesses. You never know when the inspiration comes, so keep a notebook close to you at all times to write these ideas down whenever they come.

3. Follow your passion

Once you start your business, you will spend most of your day for several years doing that business. So make sure you choose a business that you feel passionate and excited about. If you don't like the business which you are in, then chances are, you might not succeed in that business. Probably not because you don't have what it takes, but mostly because you might lose interest too easily in the face of the challenges that will come your way.

Starting and building a successful business is not a small task, it will be a lot of hard and smart work. You could face many problems, you will have to deal with situations you never encountered before, so it better be something you love doing. You will find that when things go tough, it is your passion that keep get you going and make you overcome the hurdles. If you don't love what you're doing, you will take the first exit when problems arise.

Additionally, if you do something you love personally and understand its motivations, you will be in a better position to understand your customers' needs and deliver them. Understanding customer needs and their motivations to buy is a key element of understanding for your business and ensuring its success.

Having said that, when you decide to take an old hobby into a new business, you have to work out the calculations and make sure that there is enough demand for this product or service, and that people are willing to pay for it. Otherwise, you could end up doing something people are interested in.

4. Keep your eyes open

New business opportunities get born from new situations every day. Keep an eye on what is happening around you. Make it a habit to read the newspaper and identify new

opportunities. You may read that people are complaining of poor health services in your area, or the lack of schools in your neighborhood.

Talk to your neighbours and the people you know, of what is frustrating them? What would they want to change in your neighbourhood? Is your neighbour complaining that she needs to drive long distances to get to the nearest dry cleaner? Or is your other neighbour complaining about the lack of groceries in close proximities to where she lives. Are working people not happy that there are no restaurants close to their office?

If you keep your eyes open to new developments and changes around you, you might capitalize on the emerging opportunities that could arise. You don't need to come up with an original and unique business idea to be successful. Often, it's the ideas that have been tested time and time again that prove to be successful, so look into your area, and see what is missing. It could be your business.

5. Capitalize on your strengths

Most people are good at something. Look at your experiences and career. What is it that you can do well? Have you been familiar to some specific business may be because your family, relative or colleague or yourself who worked there for few years and knows the ins and outs of the business. This could be the best situation to start. Most people are afraid to start their own business because they focus on the weaknesses and think that they would fail because of the things they cannot do well. No one is perfect, not every successful business owner is a superman.

Instead of focusing on the things you cannot do well, focus on the things you are good at. What can you do better than others? How others are doing it? And how can you do it differently? Sometimes, you need a new idea to start a business, maybe a small change to an established idea could be the answer. You can come up with a new system to automate the processes or to computerize the records.

Bottom line, is look at things you know the best, and focus your thinking on them. They don't necessarily need to be from your work life.

6. Explore new things

As mentioned earlier, change is one of the biggest stimulators to the brain. Even if you don't want to open your own coffee shop, next time you're in one, look at how things are done and think of new ways to improve it. Often this thinking might lead you to new ways to improve on your business ideas in your chosen field.

Strange enough, your next business idea might be something that never crossed your mind. The more you experience, the wider your options are, leaving you in a better position to generate new ideas and come up with new thinking.

7. Check your bank account

Starting and running your business requires money. You need to think of business that suits your budget, which is workable. If you have a small amount of money, then look into business ideas that are not cash hungry, may be start small and then grow with the business.

Having said that, there are financiers from whom you can get finance for your business, like banks, venture capitalists, family, friends and small business associations. Work out in advance the level of finance you are able to raise, and focus on business which will not exceed those limits.

8. Know what you want in life

Apart from your business goals, think about the reasons you want to start the business in the first place. What is it that you are looking for? What are your goals in life? Are you starting a business to be able to spend more time with your family? To make more money? To be respected among your peers?

Whichever your goals, make sure that your business idea complements these goals and help you achieve them. If your goal is to find more time to spend with your family and do other things, then starting a business that requires you to work 16 hours a day or travel constantly might not be the best option.

Money is not the real reason why most people start their business. While financial freedom is a big perk of having a successful business. Any business can make money. How you run your business will be determined by things other than money alone.

9. Choose a business that suits your personality

Are you a morning person or a night creature? Each person has his/her own peak energy hours of the day. You will find very few successful bakers or media news owners that don't like to wake up in the morning. If you are not a morning person, avoid businesses that will need you to work in the early hours of the morning. If you are a night person, then maybe running a restaurant that remains open till late hours is more suitable for you.

Are you an indoor or outdoor person? Do you like working in an office for long hours or can't stand the office and feel that you need to be on the move all the time? If you like the office's quiet environment, then pick a business that can be done from an office. If you like to be on the move, pick a business that requires you to go to different places and meet new people.

Are you a brainy or a handy person? People do things differently, some people like to do things that involve thinking and working on their brains. Other people like to do things that involve craftsmanship and handy work.

Are you a shy or an outgoing person? If you are a shy person, then becoming a public

speaker might not be the best option for you. If you are an outgoing person and like to meet new people all the time, having an internet based business might deprive you of that joy. When you get the idea, think of your personal traits and attributes and pick a business idea that suits your personality.

10. Read about people who started their own business

A large part of becoming successful involves looking at other successful people and learning how they achieved success. Reading autobiographies about prominent and successful business figures and learning how they started their journey will give you great insight on how they did things and what exactly they did to become successful.

You might find that most of them started from nothing. Many of them failed in several businesses and had to listen to people who told them they will never be successful. But they stood up and tried again and again until they succeeded. It is not whether you fail that makes you the man you are, it is how you stand up after the fall.

Study their characteristics, what do successful businessmen have in common? How did they achieve their vision? What challenges did they have to overcome? Look for similarities between their stories and your situation right now. You will find that it is a great source of inspiration and motivation. If others did it, then you can do it too.

Observe things around

- Observe needs of people, market
- Observe business of other people, you could improve those
- Your experiences with people as customer
- Read advertisements in newspapers, magazines
- Look at a product or service, and apply it to a different industry or setting
- Use the gap analysis technique

B. Why Does The Innovation Process Need Ideas?

Ideas are a core part of the innovation process. Each innovation begins with an idea. New ideas are the wheel of progress. Ideas are the raw material for product development. All the current products and services were once an idea in someone's mind. Steven Covey (2004) calls an idea the "first act of creation where as the second act of creation is the deed of putting an idea into a physical form."

Jack Foster (1996) discusses a variety of ideas like

- ✓ Idea to solve problems,
- ✓ Ideas to help people,
- ✓ Ideas to save and fix and create things,
- ✓ Ideas to make things better and cheaper, and
- ✓ Ideas to enlighten, excite, enthuse, enrich, and encourage"

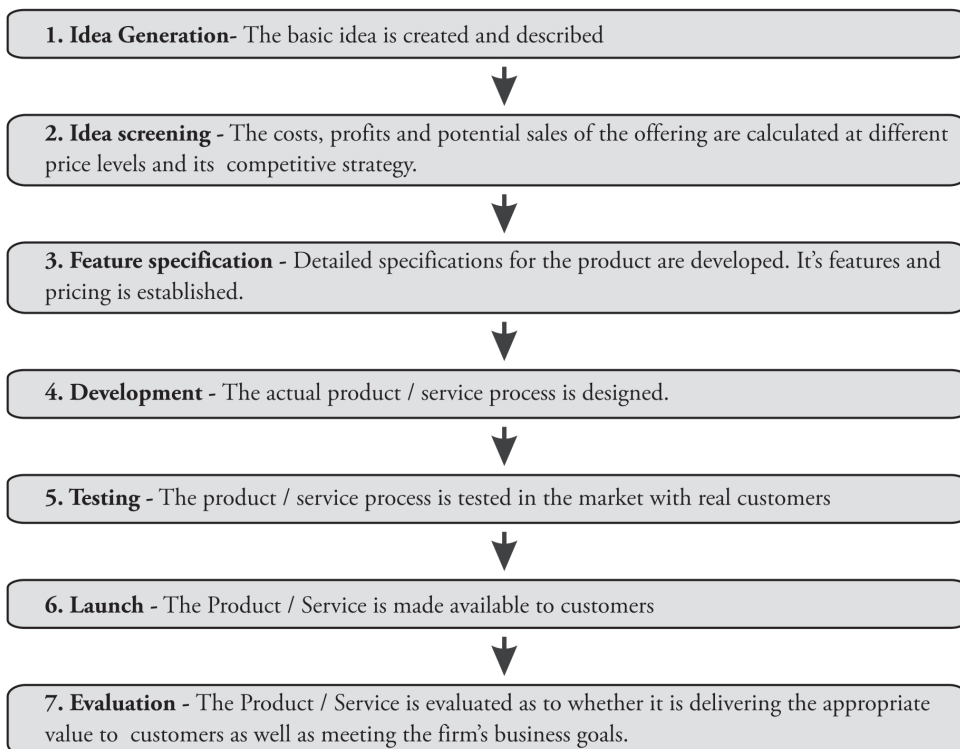
Value of Ideas:

Mark Fritz eloquently demonstrated the value of ideas in his quote “The wheel, the printing press, the light bulb, penicillin, the transistor, and every other great human invention, discovery, or social advance started with a basic idea”.

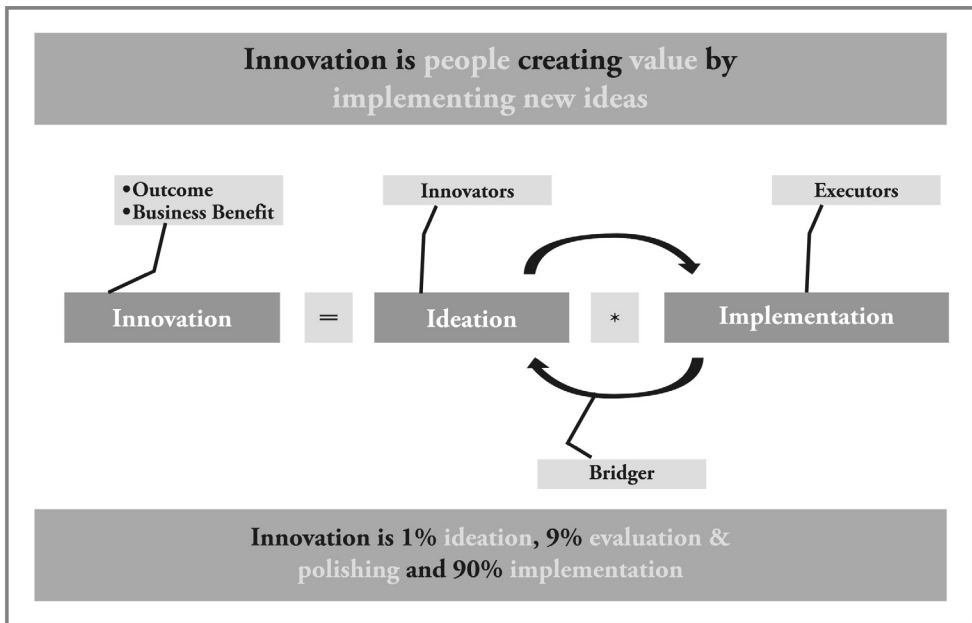
Museums, history books, and TV shows all celebrate humanity’s greatest ideas, and yet most people seem to think great ideas are somewhat rare. However, if one looks around and observes the products and services they interact with on a daily basis, one can conclude there have been many great ideas and perhaps great ideas are not as rare as one might think.

“An idea is nothing more nor less than a new combination of old elements” According to Francis H. Cartier, “there is only one way in which a person acquires a new idea: by the combination or association of two or more ideas he already had into a new juxtaposition in such a manner as to discover a relationship amongst them of which he was not previously aware”.

C. Stages from Idea Generation to Idea Implementation.

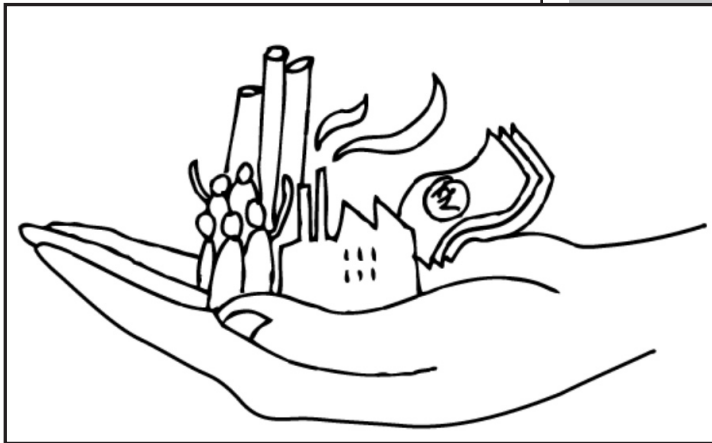


Innovation is a process from Ideation to Implementation of idea.



Questions

1. Which are the steps to generate New Ideas for successful venture?
2. Explain the process of framing 'Basic Business Idea' and how innovation will be helpful in formulating business proposals.
3. Define business idea. Elaborate the problems & opportunities for an entrepreneur
4. What are the stages from Idea generation to Idea implementation?



PRODUCT IDENTIFICATION & SELECTION

PRODUCT IDENTIFICATION & SELECTION

- A. All Begins with an Idea.**
- B. Making a Product / Service Choice**
- C. Process Selection**
- D. Entry Strategies**
- E. Arranging Finance**
- F. Location of an Enterprise**
- G. Land and Construction of the Building**
- H. Getting Utility Connections**
- I. Raw Material Procurement**
- J. Choosing Machinery & Equipment**
- K. Hiring Manpower**
- L. Environmental Redulatory Requirements**
- M. Quality Certification**
- N. Intellectual Property Rights**
- O. Conducting Feasibility Studies and Project Finanlisation**

“... Our best business missions are based on those ideas that often emerge out of our deepest personal motivations and interests.”

-Warren Avis in “Take a Chance to Be First”

A. All Begins with an Idea.

In the earlier chapter we have studied how idea is generated and its process. The primary reason for anyone to think of establishing an MSME unit can be summarized in one word – ‘ OPPORTUNITY’.

However, ideas need to be filtered through a multi-layer screen. This model is shown in the following flow.

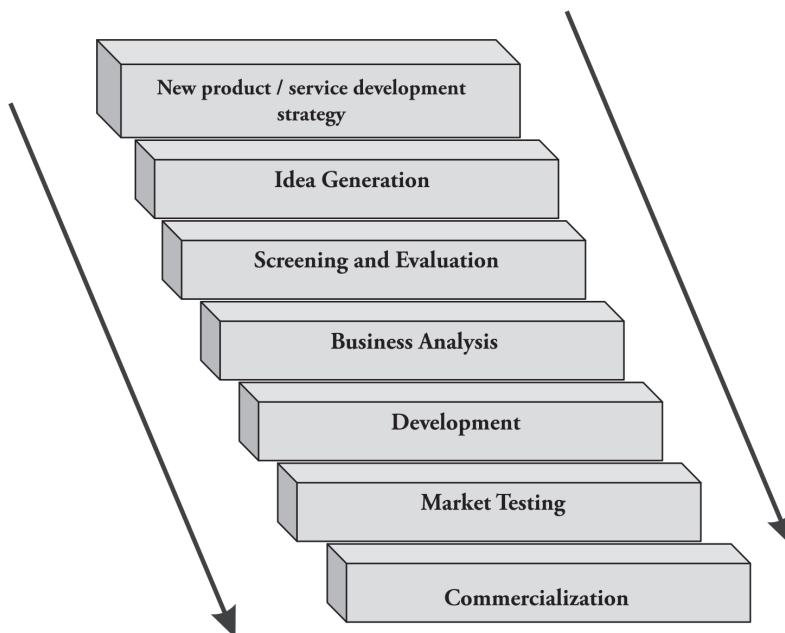
- Does the idea fire up your motivation?
- Is it a viable business proposition in your area?
- Does it match the needs of your clientele?
- Check it out with basic market research
- Test it out at market place
- Consult with the experts
- Look out for competition in the field
- Project conceptualization

Once the ideas are screened and a viable business opportunity emerges the project has to be conceptualized in all its dimensions. The 4 Ps of Project Conception are :

- **PRODUCT** (Shape, Size and Nature) / **SERVICE** (Type)
- **PROCESS** (Technology to produce the product)
- **PLACE** (Location of Plant)
- **PARTNER** (Technological or Financial Collaborator)

Product	Service
Tangible	intangible
Storable	Perishable
Control quality with Data	Define quality by experience
Measure output	Measure outcome
Can be repeatable	Very difficult to repeat
Can be patented	Very difficult to Patent it

B. Making A Product / Service Choice



New product / service development is the complete process of bringing a new product / service to the market. A product is a set of benefits offered for value addition and can be tangible (that is, something physical you can touch) or intangible (like a service, experience, or belief). There are two parallel paths involved in the new product development process: one involves the idea generation, product design and detailed engineering; the other involves market research and marketing analysis.

Idea Generation is often called the “NPD” of the NPD process. Ideas for new products can be obtained from basic research using a **SWOT analysis** (Strengths, Weaknesses, Opportunities & Threats). Market and consumer trends, competitors, trade shows, or ethnographic discovery methods (searching for user patterns and habits) may also be used to get an insight into new product lines or product features.

Stages

1 Idea Screening

The object is to eliminate unsound concepts prior to devoting resources to them. The screeners should ask several questions:

- Will the customer in the target market benefit from the product / service?
- What is the size and growth forecasts of the market segment / target market?
- What is the current or expected competitive pressure for the product idea?
- What are the industry sales and market trends the product idea is based on?
- Is it technically feasible to manufacture the product?
- Will the product be profitable when manufactured and delivered to the customer at the target price?

2 Concept Development and Testing

- Develop the marketing and engineering details
- Investigate intellectual property issues and search patent databases (if applicable)
- Which is the target market and who is the decision maker for purchasing?
- What features must the product offer?
- What benefits will the product provide?
- How will consumers react to the product?
- How will the product be produced most cost effectively?
- Prove feasibility through virtual computer aided rendering and rapid prototyping
- What will it cost to produce it?
- Testing the Concept by asking a number of prospective customers what they think of the idea

3 Business Analysis

- Estimate likely selling price based upon competition and customer feedback
- Estimate sales volume based upon size of market
- Estimate profitability and break-even point

4 Market Testing

- Produce a physical prototype or mock-up
- Test the product and its packaging in typical usage situations

- Conduct focus group customer interviews or introduce at trade show
- Make adjustments where necessary
- Conduct an initial run of the product and sell it in a test market area to determine customer acceptance

5 Technical Implementation

- New program initiation
- Finalize Quality Management System
- Resource estimation
- Supplier collaboration
- Logistics plan

6 Commercialization

- Launch the product
- Prepare and launch with advertisements and other promotions
- Decide the distribution channels for the product
- Critical path analysis is most useful at this stage

7 New Product Pricing

- Impact of new product on the entire product portfolio
- Value Analysis-internal & external
- Competition and alternative competitive technologies
- Differing value segments (price, value and need)
- Product Costs-fixed & variable
- Forecast of unit volumes, revenue, and profit

These steps may be taken as needed. Some steps may be eliminated. Some steps may be completed simultaneously.

C. Process Selections

Once the choice of the product/ service is made, selection of the right process technology becomes important. The process technology required may be: -

- **Indigenously developed:-** Indigenously developed process know-how has intrinsic benefits like appropriateness, relative inexpensiveness and possibility to work with technology developer.
- **Imported :-** For some complex products, process know-how has to be imported. In such cases agreements for technology transfer should be made with due care in order to safeguard nation's interest. Government of India facilitates foreign technology induction both through FDI and through foreign technology collaboration agreements. FDI and Foreign technology collaboration agreements can be approved either through the automatic route under the powers delegated to the Reserve Bank of India or otherwise by the Government.

D. Entry Strategies

- a. Starting new business from scratch
- b. Franchisee
- c. Acquisition of businesses
- d. Entering a family business

Now that you've decided that a startup is selected by you and that you have the attitude, temperament and ability to deal with the challenges, you need to figure out how to go about the whole process of creating your startup. Startups are usually created in either or both of these ways: you get THE BIG IDEA and then decide to talk to some like minded people to get them to join or you together with some friends decide and figure out what to do. Sometimes, both of these happen in parallel. But whichever way the startup happens, the thing to remember what, according to Arthur Rock (Venture Capitalist who backed Intel and Apple) are the 3 most important factors in a startup: "people, people, and people"!

a. Starting new business from scratch

If conditions suggest that starting a new venture is the right thing to do in your situation, consider some of the general advantages and disadvantages before strategizing your decision of starting a business from scratch.

Advantages:

- You'll have freedom of choice in all aspects of the business.
- If you have limited capital available, you can start on a small scale.
- Setting up may be less expensive than buying an existing business. Because you may have to pay for the goodwill.

Disadvantages:

- You'll need to spend more time and put lot of effort to start up. This will include developing your customer base, establishing lines of credit and supply and finding experienced staff.
- Your risks may be high and the future of your business is uncertain(depends on your capability)

Essential steps for building a business from the scratch.

Take a deep breath, empower yourself wearing your jack-of-all-trades hat, and get crazy with entrepreneurial juices flowing.

1. You won't always feel confident, but that doesn't mean you can't perform. Experience will make you wise.
2. Believe in yourself. You have to convince yourself first before you can convince others.
3. Build a core team of people. When the going gets tough, you want people at your side who are responsible, accountable and reliable.

4. The key to creating luck is to seek opportunities. Think about the good things happening in your life and work your way toward making every day an even better day.
5. Define your business but remember to put the customers first. The business is not about you. It's about the vision you have for serving customers. Peter Drucker stated, "Companies are not in business to make items, but to make customers."
6. Delegate if you can. By delegating responsibilities, you will have time to consider the needs of the business as a whole.
7. Evaluate the source when you seek advice. Respect and trust your source.
8. Display enthusiasm and positive attitude. Look for people who will join you happily.
9. Figure out how to get through an obstacle. Talk it over with friends, colleagues or family. You'll be surprised at how many people have faced a similar situation and are more than happy to share what they have learnt.
10. To run a lean, alert and ready-for-challenge business, you have to organize your finances.
11. Get the paperwork done for a loan well in advance. Build a financial plan before the economic crunch. You always be prepared to weather the storm.
12. Hire the best team. Offer what you can afford and be willing to explain frankly why.
13. Learn from your success. Explore yourself to many situations to learn more and more.
14. Invest in the people you hire. Think vacation and flexible time, bonuses, health clubs, recognition for performance, opportunities for growth and advancement for them. Employees look at both the "soft" and "hard" sides of the job before they decide to take it. They are precious assets that will appreciate as they grow.
15. Keep your business plan simple and clutter-free. Your business plan should be easy to follow, easy to execute and easy to modify. Use the plan as a compass to guide your business.
16. Prepare yourself to work hard. Starting a business takes lots of your energy. Don't be in haste to make fast money. Be in it because you love what you do.
17. Stay focused, do something sensational and keep going.
18. Stick to what you do the best.
19. Take the long-term view of building your business. Building a great, enduring business takes a lifetime. Make it your own. Enjoy every moment.
20. And of course use common sense which is not very common.

There is lot more to consider in launching a new business, but by practicing even a handful of these tips, you will have guaranteed success.

b. Franchisee

'Franchising' is the practice of using another firm's successful business model. The franchisor's success depends on the success of the franchisees.

The party in a franchising agreement is purchasing the right to use a business's trademarks, associated brands and other proprietary knowledge in order to open a branch. In addition to paying an annual franchising fee to the underlying company, the franchisee pays a portion of its profits to the franchisor.

One of the benefits of being a franchisee is that the franchisor provides all the information that is needed for running the business such as, training and suppliers. Furthermore, a franchisi is also usually given an exclusive area, where no other franchises belong to the same underlying business can set up shop in order to prevent internal competition.

1 Opportunity to Learn

As a first time entrepreneur, this can be very useful, as you will have the opportunity to learn a lot. The franchisor will teach you how their business model works and will show you how to leverage it into profits. They will provide you with manuals and other reference materials on how to run your business effectively. e.g. they will provide you guidance on hiring employees, monitoring their performance, keeping operations efficient and a host of other issues.

2 Less Risk

Starting a new business from scratch can have risks. There is every chance that your business might not perform as well as you expected. If you are concerned about the potential risks of your business, you may want to consider a franchise. A successful franchisor has a tried and tested business model. It has less chances of making mistakes than if you start your own business.

3 Successful Model

Consider Subway as an example - they have upwards of 22,000 franchisees. In many studies, they are considered as one of the best examples of a franchising system. They have developed a model which is easy to replicate and has been proven to provide successful results. Another aspect of using the franchise model is that your costs may be reduced. Highly successful franchises usually have a well-developed supply chain, which will help in getting materials on time and in reducing costs.

4 Pre-Opening Support

Some examples of pre-opening support provided by franchisor are:- financial support, design and construction support, site selection and an opening program. Some franchisor may require you to invest a certain percentage of capital costs and they would provide the rest. In store, design can be very important to some brands.

Thus they might be willing to help you in designing an ideal layout for the store. The location of your franchise is of extreme importance. Franchisor will help you look at potential locations and help you with rent and other financial issues. After all, good business for you means good business for them.

5 Marketing Support

One of the major advantages of a franchise model is the marketing assistance you receive. Building a brand from scratch can be a very tricky task, especially for a first time entrepreneur. They will provide you with various plans and schemes, which help you to attract new customers as well as to retain them. Their staff will help you determine budgets and provide you advice on which strategies to pursue and which to discard.

6 Ongoing Support

Apart from support before operations commence, franchisors will also provide you with ongoing support. They will provide you with guidelines as to how to run your business. Many franchisors have strict standards, which you will have to follow in order to be successful. Also, some may be ready to provide you to help and guide during rough times. Thus even if you are a first time entrepreneur, with little or no experience in running your own business, you can be assured that there is a help available to you.

7 Real Estate Assistance

Your franchisor will help you to locate and decide the best site for your business. This can be very important for the fast food as well as retail business. These often need to be in prime locations to attract customers. They will assist you in construction and layout of your store. Referring to McDonalds, again- they usually buy property in prime locations and then rent it out to their franchisees.

c. Acquisition of businesses

Owners of businesses sell their businesses for a variety of reasons. These can include insufficient sales or profits, worry about new competition, fear of new economic conditions, retirement, a dispute between partners, the death or illness of a partner and the owner's desire to do something different.

There are many ways to find out, which businesses are for sale. You may find advertisements in the classified section of the local newspaper or through the broker, banks, financial institutions, colleagues, Chamber of commerce, consultants etc.

Advantages of buying an existing business

1. The existing business already has customers, suppliers and procedures. The business may also have built up goodwill or customer loyalty. Fine-tuning the systems can be much easier than creating systems from scratch.
2. The seller of business may train a new owner. Experienced employees may also be available to help the new owner.
3. There are prior records of revenues, expenses and profits, which will make future financial planning easier and more reliable than a complete new business.
4. Financial arrangements can be easier. If the business is sound then you can avail loans from the existing banks or financiers

Disadvantages of buying an existing business.

1. Many businesses are for sale because they are not making a profit.
2. Serious problems may be inherited. Businesses can have poor reputation with customers, trouble with suppliers or be poorly located.
3. Capital is required to purchase a business.

Steps to purchase a business.

1. Write specific objectives about the kind of business you want to buy and identify businesses for sale that meet your objectives.
2. Meet with business sellers to investigate specific opportunities
3. Visit during business hours to observe the process in action.
4. Ask the owner to provide you with a complete financial accounting of operations for at least the past 3 years and analyze the reports.
5. Ask for important information in written form. Make a list of all assets to be transferred to the new owner, mortgage, and list of suppliers etc.
6. Determine how you would finance the business.
7. Get expert help to determine a price to offer for the business.

If an agreement is reached, have a lawyer draw up a sales contract.

d. Entering a family Business

Entrepreneurs who work for their family businesses enjoy the pride and sense of mission that comes with being part of a family enterprise.

Family businesses also have several drawbacks. Like family politics may enter into business decision-making. The distinction between business life and private life is blurred in family owned businesses. As a result, business problems end up affecting family life as well. They don't have freedom to make their own decisions. They may also be unable to set policies and procedures the way they would like to.

Entrepreneurs who do join their family business must be prepared to make compromises.

E. Arranging Finance

A business firm requires finance to commence to continue its operations, for its expansion and growth. There must be continuous flow of funds in and out of business. Sound plans, efficient production and strategic marketing are all dependent on smooth flow of finance. Hence, a financial plan needs to be prepared, which indicates the requirements of finance, sources for raising the finance and the application of funds. Financial planning for starting a business begins with estimating the total amount of capital required by the firm for the various needs of the business.

The financial plans of an enterprise should be formulated by taking into consideration the following factors :-

- The financial objectives of the company
- Nature and size of the business
- The image and credit-worthiness of the enterprise
- Growth and expansion plans
- Financial market
- Government regulations

Most of the start-ups can find it difficult to take off without monetary support. Finance can be classified into following types:

Long-term or Fixed Capital – Period of 5 years & more. The funds required to purchase fixed or durable assets, which include land, buildings, machinery, equipment and furniture etc. These assets continue to generate income and profits over an extended period of time.

Medium-term Capital - Period of 2 to 5 years. It involves financing certain activities like renovation of buildings, modernization of machinery, heavy expenditure on advertising, etc.

Short-term or Working Capital – Period of less than one year. Money invested in short term assets or current assets, which includes purchase of raw materials, payment of wages and salaries, rent, fuel, electricity and water, repairs and maintenance of machinery, advertising, etc. Besides, sale of goods on credit leads to the holding of debtor's balance and bills receivable, which may also be regarded as current assets. The requirement of finance for all these purposes arises at short intervals.

For a short term you can get

- Risk Capital
- Seed Capital/Marginal Money
- Bridge loans.

Financial assistance for such units is available from a variety of banks & financial institutions.

F. Location of an Enterprise

After deciding the product and process, the next important question is where to set up the unit ?

For many tiny units and service-based units, the home is perhaps the best starting point. Setting up an establishment is much more than putting up a signboard up and waiting for customers to walk in. It requires negotiating a favourable plot or shed, organizing for proper construction of building, design of interiors and finding good deals for equipment and machinery.

“The choice of the place (location) where an industrial undertaking (Unit) started has a great influence on productivity, efficiency and profitability of the enterprise.”

Location considerations for the establishment of manufacturing plants is critical to the operation of the set-up in an uninterrupted and least resistant manner. Considerable emphasis is required from the technical point of view regarding site locations.

The selection of site and equipment are important aspects of a project to derive maximum operative economy and effectiveness.

An ideal site certainly contributes to the smooth and efficient functioning of an enterprise. It not only saves on costs but also enhances productivity and profits.

Need for Enterprise Location

The need for plant location arises under the following circumstances:

- 1) When a new enterprise is to be established.
- 2) In the case of established enterprise, the need for enterprise location arises when expansion, decentralization and diversification is undertaken to meet the increased demand for its products.
- 3) Whenever the existing factory is not in a position to obtain renewal of lease.
- 4) When an undesirable location is to be abandoned.
- 5) When the tendency of shifting the market, depletion of raw materials, changes in transportation facilities, new processes requiring a different location are observed in a factory.
- 6) When a new branch or branches are to be opened for increasing the volume of production or distribution or both.

Importance of Enterprise Location

The selection of an appropriate location enables the enterprise to operate smoothly, efficiently, and with the minimum cost. Wrong location leads to wastages in efforts and talents of the promoters with consequent uncertainty in results. If the selection of the site is not proper, then all the money invested on factory building, machinery and their

installation etc. will go waste and the owner of the factory will have to suffer a serious loss. Further, the cost of transferring it from one location to another would prove very costly and pose problems, which cannot be easily solved. Therefore, while selecting a site, the owner must consider technical, commercial and financial aspects and then to select a suitable site that may provide maximum advantages.

Small entrepreneurs should not ignore need for proper location of their units. It may depend on the small industry's ability to obtain an adequate and regular supply of raw materials at minimum cost, to maintain a sufficient labour force, and to serve its customers satisfactorily.

Steps in Enterprise Location

Enterprise location involves three main steps. These are :

- (1) selection of the region or service area:
- (2) selection of the particular locality and
- (3) selection of the exact plant site.

Factors influencing selection of location may be shown in an exhibit as given below:

Factors Affecting Location of an Enterprise

Selection of Region	Selection of Locality	Selection of Site
<ul style="list-style-type: none"> • Availability of raw materials • Nearness to market • Availability of power and fuel • Transport • Suitability of climate • Government policy • Competition • Meteorological conditions and topography 	<ul style="list-style-type: none"> • Availability of labour • Civic amenities for workers • Existence of complementary and competing industries • Finance and Research facilities • Availability of water and the fire fighting facilities • Local Taxes and regularities • Momentum of an early start • Personal factors • Banking facility • Communication facility • Cultural affinity • Religious and social institutions • Educational environment • Historical factors • Political stability 	<ul style="list-style-type: none"> • Soil, size and topography • Disposal of wastes • Price of land • Expansion potential • Commercial services • Communication • Availability of amenities • Health of locality • Statutory considerations • Flood and drought experience • Right and title of the land • Good scenery / Surrounding • Attitude of local people • Technological knowhow • State Assistance

Generally speaking if the value-added component is not high, the project may be located near the source of a raw material but for manufacturing high value-added products, a wide

choice in respect of location is available as the products can bear to and fro transportation cost of raw materials and finished products.

The importance of location is a primary consideration in planned production and control.

G. Land and Construction of the Building

After deciding upon the location of the industry, the next need is to set up the basic infrastructural facilities for commencing its operations.

Once the location for setting up the industry is finalized, the entrepreneur should approach the concerned authority like Municipal Corporation for acquisition of the plot of land. Before construction of the factory or industry, whether small or medium the approval of plant layout and machinery drawings has to be obtained from the concerned authorities. Once these approvals are obtained then the structures may be raised according to the plan.

Construction of the building involves: -

- Architectural design of the building: finding a suitable architect to design the outlay of area and factory.
- Design of factory building has to be in agreement with the type of industry.
- Have an appropriate plant layout. You may like to take help of a professional to ensure that the area is utilized optimally.
- Architect's estimate of building construction is essential for loan applications. Further, architect's certificate for money spent on building is needed for disbursement of loans.
- Appointment of engineers and contractors
- Supervision of the construction work

The State Government offers incentives like land and building tax concessions to new and existing entrepreneurs.

H. Getting Utility Connections

Among the utilities, of prime importance are power and water. Other utilities that might be required are steam, compressed air, and fuel. Assess your requirement of such utilities, make arrangement to get these and ascertain the cost of consuming these.

1 Power Supply

- Find out the power supply requirement of the industry.
- Locate the nearest substation from where you will get power supply. Also find out the power tariff rate and the duration for which required supply will be available. Power connections are generally of either LT (Low Tension) or HT (High Tension) type. If connected load is up to 75 HP, LT connection is permitted. For connected loads of 130 HP or higher HT connection is provided.

- A formal application needs to be made in a specific form to the concerned State Electricity Boards. An electrical inspector is deputed for evaluation of application to factory site, after which the load is sanctioned. In areas of power shortage, it is advisable to augment the power supply with a captive generating set.
- After obtaining the power feasibility and sanction certificate, the power supply may be given to the industry.

2 Water Supply

- Find out the water requirement of the industry.
- Check out what is the best possible source of the required water supply i.e. river, canal, bore well and how far is it from your land.
- Check the quality of water (PH, hardness) and does it meet your specific requirements.
- Rate of water charges applicable as well as the common storage facility.
- Find out who is the sanctioning authority (Public Works Department, Municipal Corporation) of the area.
- Water connection is obtained by applying in advance.

The State Government offers a number of incentives and concessions on water tariff, power subsidy, subsidy on generating sets, solar power sets etc. to new entrepreneurs.

3 Getting a Telephone and Internet connection

Communication is recognized as the means for accelerating the economic growth in all the regions of a nation, including the remote and inaccessible areas in the country. In the present age of information technology, internet has become a medium for accessing information on any topic you can imagine, like for buying products and services i.e. for business purposes at the click of a mouse or a key. Hence these have become the basic infrastructure requirements for a business organization. For business firms, trade, commerce and industry it is an indispensable tool for growth and prosperity. For the provision of telecom and internet services in the country, two public sector undertakings are set up-

- Mahanagar Telephone Nigam Limited (MTNL) and
- Bharat Sanchar Nigam Limited (BSNL)

They provide telecom and internet facilities to entire country and form a part of modern global network. They provide access to countries around the world for transporting information in the form of voice, data or video.

As the sector is open to private investment, there are a number of private players like TATA Domoco, Reliance infocomm, Bharati Enterprises, Vodafone, Idea are also providing telecom services including internet services in the country.

I. Procurement of Raw Material

Raw Material procurement and planning are critical to success of a start-up unit. The raw materials required may be:-

- **Domestically available (within the country):-** As we know that our country is a resource-rich country with abundance of specific raw materials in different States. Accordingly appropriate suppliers of raw materials have to be identified.
- **Imported from abroad:-** For importing raw materials the Government rules and regulations have to be followed. The imports are regulated by the **Foreign Trade (Development and Regulation) Act, 1992**. The Act provides for the appointment by the Central Government, of a **Director General of Foreign Trade** for the purpose of the Act. The DGFT shall advise Central Government in formulating export and import policy and for implementing the policy.

Whatever be the source of raw materials it should be bought from reputed dealers and agencies. Before ordering, compare the prices and get quotations from at least 3-4 sources and also check whether price is inclusive or exclusive of transportation costs, duties etc. While receiving the delivery, check the quality and quantity of the materials.

Proper planning is essential because non-availability of the required raw material may result in production hold-ups, idle machinery and manpower. On the other hand if too much is ordered considerable amount of working capital gets locked up. All this will lead to increased production costs. But proper inventory management can lead to manageable cash flow situations. For imported raw material which lead-time are large, proper planning is all the more essential.

J. Choosing Machinery and Equipment

The next important step is choosing and ordering of right machinery and equipment. The machinery and equipment required may be either domestically available or imported from abroad. For importing machinery and equipment, the Government rules and regulations have to be followed. The imports are regulated by the **Foreign Trade (Development and Regulation) Act, 1992**. The Act provides for the appointment by the Central Government, of a **Director General of Foreign Trade** for the purpose of the Act. The DGFT shall advise Central Government in formulating export and import policy and implementing the policy.

Generally, technology or process provides the necessary specifications relating to machinery and equipment required. An extensive techno-economic survey of the available machinery and equipment may be conducted. International trade fairs and engineering fairs are good places to look at available options. The entrepreneur may also consult experts, dealers/suppliers as well as users, prior to making a selection of equipment and machinery.

Entrepreneurs can also buy second hand machines and equipment. But this leads to the problem of prevalence of outdated production and management methods hindering the efficient operation of business units. The advice of SISI and NSIC can also be obtained.

The main objective of **National Small Industries Corporation Limited (NSIC)** is to provide machinery and equipment to small industrial units offering them longer repayment period with moderate rate of interest.

It has been found that small industrialists are unable to install modern machinery and equipment due to lack of investable funds. Hence many schemes and incentives are available to assist them. Now, small-scale firms can acquire industrial machinery, office equipment, vehicles, etc., without making full payment by availing hire purchase plan. With the help of assets acquired through hire purchase, they can produce and sell. From the earnings, they can make payments in installments. Ultimately the ownership of assets can be acquired.

National Small Industries Corporation (NSIC) provides machinery and equipment to small scale units on hire purchase basis and on lease basis. NSIC follows the Hire Purchase procedure and Hire Purchase Scheme for financing purchase of plant and machinery to small scale units.

K. Hiring Manpower

Projections for manpower and staffing are made in the project report. The objective of hiring manpower is to procure the right number of employees, with the required qualifications to do the right type of jobs. The hiring process involves four main steps i.e. manpower planning, recruitment, selection and placement. Each of these steps and sub-steps helps the employer to obtain more and more information about the candidates and thus it helps in obtaining the most suitable manpower for the firm.

It is necessary to time the induction of manpower in a planned manner. An effective hiring procedure includes the answers to the following questions :-

- What are the requirements of the jobs to be filled?
- What kind of skilled employees are needed?
- How many employees are needed?
- What sources of recruitment may be utilized?
- What steps should be taken to select the right type of candidates for employment?

A new enterprise has to recruit all employees from external sources of recruitment like

- Advertisement in newspapers or trade and professional journals
- The employment exchanges maintain detailed records of job-seekers and refer appropriate candidates to the employers.

- Campus recruitment at Colleges and Institutes of Management and Technology have become a easy source of recruitment for technical and managerial jobs.
- Direct Recruitment for casual vacancies of unskilled or semi-skilled jobs.
- Labour Contractors maintain close contacts with labourers and they can provide the required number of workers at a short notice.

L. Environmental Regulatory Requirements

The next important regulation relates to environment. The environmental regulatory requirements envisage a wide legislative framework covering every aspect of environment protection like air, water, forest conservation, wildlife protection, etc. Separate set of laws and rules for emission of hazardous wastes have been enacted. The Ministry of Environment and Forests (MoEF), is the nodal agency for regulating all such environmental aspects. It undertakes conservation through survey of flora, forests and wildlife; prevention and control of pollution; afforestation & regeneration of degraded eroded areas. Every industry has to abide by all such guidelines and parameters for environmental protection because only this will ensure its sustainable preservation and growth.

A good environment is a constitutional right of the Indian Citizens. Environmental Protection has been given the constitutional protection. Directive Principles of State Policy states that, it is the duty of the state 'to protect and improve the environment and to safeguard the forests and wildlife of the country'. It imposes fundamental duty on every citizen 'to protect and improve the natural environment including forests, lakes, rivers and wildlife'.

Central Government has enacted several laws for Environmental Protection:-

- **The Environment (Protection) Act, 1986** - According to the Act, the term "environment" includes water, air and land and the inter- relationship which exists among and between water, air and land, and human beings, other living creatures, plants, micro-organism and natural property.
- **Acts relating to Water Pollution** are comprehensive in their coverage, applying to streams, inland waters, subterranean waters, and seas or tidal waters. These regulatory acts also provide for a system or 'consent' procedure to prevent and control water pollution. They generally prohibit disposal of polluting matter in rivers, streams, and wells or on land in excess of the standards established by the state boards.
- **Acts relating to Air Pollution** are aimed at prevention, control and abatement of air pollution.
- **Acts relating to Forest Conservation** provide for the conservation of forests and for matters connected therewith or ancillary or incidental thereto.

- **Acts relating to Wildlife Protection** provide for the protection of wild animals, birds and plants and for matters connected therewith or ancillary or incidental thereto with a view to ensuring the ecological and environmental security of the country.
- **Acts relating to Biological Diversity** provide for conservation of biological diversity, sustainable use of its components as well as fair and equitable sharing of the benefits arising out of the use of biological resources and knowledge associated with it.
- **Acts relating to Public Liability Insurance** provide facility to the persons affected by accidents occurring while handling any hazardous substances.
- **Rules relating to Noise pollution** aim at controlling noise levels in public places from various sources like industrial activity, construction activity, generating sets, loud speakers, public address systems, music systems, vehicular horns and other mechanical devices having deleterious effects on human health and the physical & psychological well being of the citizens.
- **Rules relating to Management of Hazardous Substances** aim at controlling the generation, collection, treatment, import, storage, and handling of hazardous substances and waste. The term “hazardous substances” include flammables, explosives, heavy metals such as lead, arsenic and mercury, nuclear and petroleum fuel by-products, dangerous microorganism and scores of synthetic chemical compounds like DDT and dioxins.

The **Central Pollution Control Board (CPCB)** has developed **National Standards** for Effluents and Emission under the statutory powers of the **Water (Prevention and Control of Pollution) Act, 1974** and the **Air (Prevention and Control of Pollution) Act, 1981**. These standards have been approved and notified by the Government of India, Ministry of Environment & Forests, under Section 25 of the **Environmental (Protection) Act, 1986**. Besides, standards for ambient air quality, ambient noise, and quality specifications for petrol, diesel and other fuels. Guidelines have also been developed separately for Bio Medical waste management. Also, an **Environmental Information System (ENVIS)** has been established as a planned programme. The focus of ENVIS since inception has been on providing this environmental information to decision makers, policy planners, scientists and engineers, research workers, etc. all over the country. ENVIS has developed itself with a network of participating institutions/organizations.

M. Quality Certification

Quality certification has become extremely important in competitive markets and especially in gaining foothold in exports. As a paradigm shift, Enterprise must make

‘Quality’ a way of life. A scheme has been launched to give financial incentive to those units who acquire ISO-9000 certification, by reimbursing 75% of their costs of obtaining certification, subject to a maximum of Rs. 0.75 lakhs per unit. In order to promote modernization and technology up gradation, the units are encouraged to participate in quality awareness and learning programmes organized specially for their benefit.

One of the important aspects of the ISO registration process is to verify whether the unit seeking registration is indeed doing what is being claimed in its quality manual.

The process should begin with a familiarization with the standard, followed by an assessment of the current quality assurance system with a special focus on how it addresses the ISO requirements. Thereafter, corrective actions to remove the gaps should be initiated and continuous monitoring via internal quality audits should take place to prevent the degradation of the systems’ entropy to a higher level. It is advisable to have the assistance of a consultant to guide the implementation efforts.

The Registrars, after conducting the audit, send their recommendations to the Accreditation body, which grants the certification. After certification, periodic “unannounced” surveillance audits are conducted to ensure that the unit is complying with the requirements of the standard.

The designed Quality Assurance system should

- suit the unit’s need,
- not be restrictive to the point of being impractical
- be continuously upgraded.

Indeed the implicit driving force behind the registration process should be the formulation of a well thoughtout, effective system designed to bring about improved performance.

The Permanent Registered Small Scale/ancillary/Tiny/Small Scale Service Business Enterprises (SSSBE) units are eligible to avail the Incentive Scheme.

N. Intellectual Property Rights

What is IPR?

Intellectual Property Rights are legal rights, which result from intellectual activity in industrial, scientific, literary and artistic fields. These rights safeguard creators and producers of intellectual goods and services by granting them certain time-limited rights to control their use. Protected IP rights like other property can be a matter of trade, which can be owned, sold or bought. These are intangible and are for non-exhausted consumption

Types / Tools of IPRs

1 Patent:

A patent is an exclusive right granted for an invention, which is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem. It provides protection for the invention to the owner of the patent. The protection is granted for a limited period, i.e. 20 years. Patent protection means that the invention cannot be commercially made, used, distributed or sold without the patent owner's consent.

2 Trademarks:

A trademark is a distinctive sign that identifies certain goods or services as those produced or provided by a specific person or enterprise. It may be one or a combination of words, letters, and numerals. They may consist of drawings, symbols, three-dimensional signs such as the shape and packaging of goods, audible signs such as music or vocal sounds, fragrances, or colours used as distinguishing features. It provides protection to the owner of the mark by ensuring the exclusive right to use it to identify goods or services, or to authorize another to use it in exchange of payment. It helps consumers to identify and purchase a product or service because its nature and quality, indicated by its unique trademark, meets their needs.

3 Copyrights and related rights:

Copyright is a legal term describing rights given to creators for their literary and artistic works. The kinds of works covered by copyright include: literary works such as novels, poems, plays, reference works, newspapers and computer programs; databases; films, musical compositions, and choreography; artistic works such as paintings, drawings, photographs and sculpture; architecture; and advertisements, maps and technical drawings. Copyright subsists in a work by virtue of creation; hence it is not mandatory to register it. However, registering a copyright provides evidence that copyright subsists in the work & creator is the owner of the work.

4 Geographical Indications (GI):

GI are signs used on goods that have a specific geographical origin and possess qualities or a reputation that are due to that specific place of origin. Agricultural products typically have qualities that derive from their place of growth or production and are influenced by specific local factors, such as climate and soil. They may also highlight specific qualities of a product, which are due to human factors that can be found in the place of origin of the products, such as specific manufacturing skills and traditions.

5 Industrial Designs:

Industrial designs refer to creative activity, which result in the ornamental or formal appearance of a product, and design right refers to a novel or original design that is accorded to the proprietor of a validly registered design. Industrial designs are an element of intellectual property. The essential purpose of design law is to promote and protect the design element of industrial production. It is also intended to promote innovative activity in the field of industries.

6 Trade Secrets:

It may be the confidential business information that provides an enterprise a competitive edge and it may be considered a trade secret. Usually these are manufacturing or industrial secrets and commercial secrets. These include sales methods, distribution methods, consumer profiles, advertising strategies, lists of suppliers and clients, and manufacturing processes. Contrary to patents, trade secrets are protected without registration.

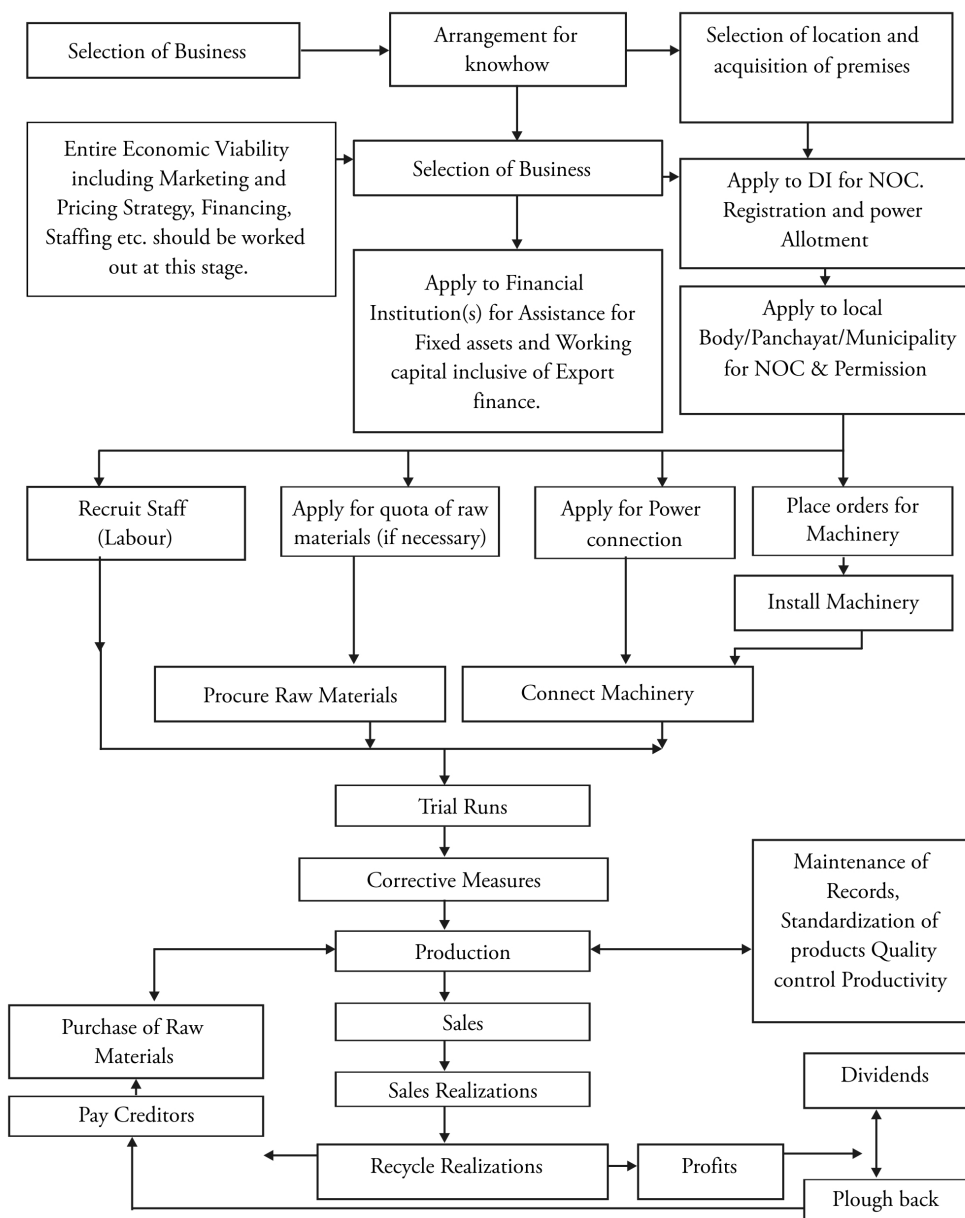
7 Layout Design for Integrated Circuits:

Semiconductor Integrated Circuit means a product having transistors and other circuitry elements, which are inseparably formed on a semiconductor material or an insulating material or inside the semiconductor material and designed to perform an electronic circuitry function.

8 Protection of New Plant Variety:

The objective of this act is to recognize the role of farmers as cultivators and conservers and the contribution of traditional, rural and tribal communities to the country's agro biodiversity by rewarding them for their contribution and to stimulate investment for R & D for the development of new plant varieties to facilitate the growth of the seed industry.

Process of setting up Business diagram

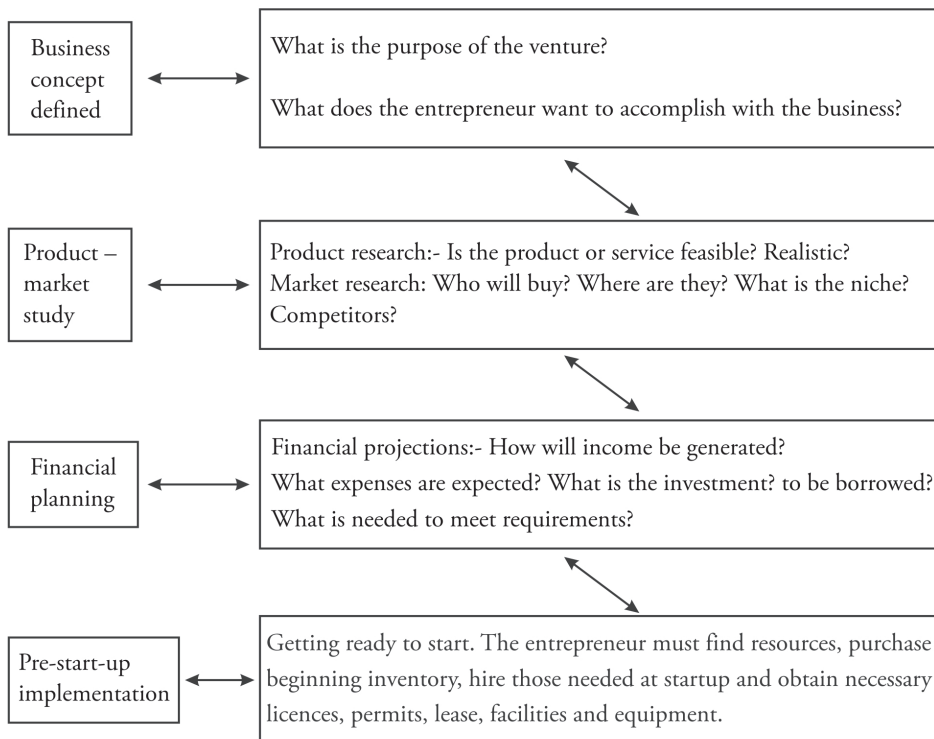


O. Conducting feasibility studies & project finalization

Feasibility literally means whether the business idea will work or not, whether there exists a sizable market for the proposed product/service. What would be the investment requirements and where to get the funding from, whether and from where to procure the necessary technical know-how to convert the idea into a tangible product.

A project has to be viable technically and economically.

A model for New Ventures: Feasibility Planning



The term feasibility planning is used as a way of modulating the concept of a comprehensive business plan. A feasibility plan encompasses the full range of business planning activities. But it seldom requires the depth of research or details expected for an established enterprise.

Every new business is unique. Each will have something that sets it apart from others, even if it is no more than the personality of an entrepreneur. For that reason no plan is going to provide an absolute prescription for success. A feasibility plan is an outline of potential issues to address and a set of guidelines to help an entrepreneur make better decisions. The plan should be easy to read, complete and must be accurate.

Eight common elements in a Feasibility plan.

1.	Executive summary	<ul style="list-style-type: none"> • Venture defined • Products or services identified • Market characteristics summarized • Founders introduced • Financial structure profile
2.	Business concept	<ul style="list-style-type: none"> • Purpose of the venture and the major objectives of its founders • Description of the distinct competency of the firm
3.	Product or service	<ul style="list-style-type: none"> • Describe the product/ service to be sold • Functions and nature of products and services • Proprietary interests, attributes • Technical profile
4.	Market research and analysis	<ul style="list-style-type: none"> • Customer scenario , characteristics, buying habits • Future Markets & trends or changes • Venture's niche position • Industry structure • Existing & Expected competitors • Sales forecast
5.	Market plan	<ul style="list-style-type: none"> • Market strategy to compete • Pricing methods • Promotion strategy • Distribution channels • Services, warranties, guarantees • Leadership roles & responsibilities
6.	Manufacturing or operations	<ul style="list-style-type: none"> • Facilities - purchase or lease • Location • Inventory purchasing system • Human resource requirement • Operational manufacturing processes / service structure • Technology, R & D • Quality control • Security systems • Insurance and safety patents, copyrights, trademarks
7.	Entrepreneurial team	<ul style="list-style-type: none"> • Describe Profile of founders • Key personnel • Investors • Management roles
8.	Financial documentation	<ul style="list-style-type: none"> • Financial statements for income and expenses • Cash flow • Assets and liabilities • Break

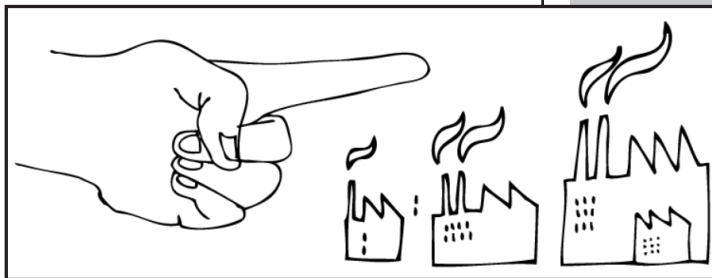
After the Feasibility Plan is completed major activities are to be performed.

- Initial financing will be obtained
- Pre-start up implementation to be planned
- Marketing plan to be initiated
- Start up benchmark events to be planned
- Identifying and attempting to occupy a market niche for a product or service utilising traditional marketing placement strategies (i.e. price, promotion distribution, packaging and competition) will be processed.
- Monitor by collecting, reviewing & disseminating data
- Evaluate effects by analysing data.

Questions

1. What are the stages in New Product Development?
2. What are the entry strategies in business for an entrepreneur?
3. Why location of an enterprise is important?
4. What is IPR? What are the types of IPRs?
5. Which are the common elements in a Feasibility plan?

6



SETTING UP MICRO, SMALL AND MEDIUM ENTERPRISE (MSME)

SETTING UP MICRO, SMALL AND MEDIUM ENTERPRISE (MSME)

- A. Introduction**
- B. Present Status of Industry & Service Sectors in India**
- C. Status of Micro, Small and Medium Enterprises**
- D. Recognised List of Activities**
- E. Registration Formalities for Micro, Small, Medium Enterprises**
- F. Trend in MSMEs and Growth**
- G. Selection of Types of Ownership of Organisations**
- H. Comparative Evaluation of Different Forms of Business Ownership**
- I. Limited Liability Partnership (LLP)**
- J. Various Registrations as per Forms & Types of Organisations.**
- K. Steps of Ladder the Small Entrepreneur has to Climb**
- L. An Exciting Time to Start Your own Business**
- M. List of Business Opportunities**
- N. Appeal to all**

A. Introduction

The Micro, Small and Medium Enterprise Sector (MSME) are the real engine of growth for the Indian economy.

It is a breeding ground of entrepreneurship at grass root level and continues to show dynamism in terms of socio-economic development comprising labour absorption, income distribution, rural development, employment generation, contribution in promoting balanced and equitable growth and promotion of entrepreneurship. . Labour intensive industries in the country have been favoured basically to create employment opportunities.

The share of MSME sector in the manufacturing output and export is significant and has been growing consistently.

Next to agriculture, the small and micro industrial sector is the second pillar of Indian economy and after independence the Government of India has liberally promoted the SSI units credited with generating the highest rates of employment growth and major share of industrial promotion. Government of India has laid special emphasis on growth and progress of this sector throughout post-independence period.

Distribution of Employment by nature of activity

Nature of activity	Employment (lakh s)	%
Manufacturing	80.33	86.83
Services	6.28	6.75
Repairs and maintenance	5.98	6.42
Total	93.09	100

Published by - Development Commissioner of MSME, Ministry of Micro, Small and Medium Enterprises, Govt of India , Edition April 2011.

B. Present Status of Industry & Service Sectors in India.**Industry Sector**

- Industrial development plays a crucial role in India's development strategy.
- It aims at achieving various socio-economic objectives such as reducing debt burden, promoting foreign direct investment (FDI) inflow, enhancing self-reliant production and distribution as well as diversifying and modernizing the existing economic set up.
- The industrial base has been widely expanded, covering broadly the entire range of consumer, intermediate and capital goods.
- It has made considerable achievement in terms of output and employment. The Government of India has been undertaking several policy measures and incentives, from time to time, in order to promote rapid industrialization in the country.
- The major step in this direction has been the announcement of Industrial Policy Resolution, initially passed in 1948 and then in 1956 and thereafter in 1991.
- Such industrial policies have been designed to accelerate the development process in the Indian industry. Their broad objectives are to:-
 - o Maintain a sustained growth in productivity
 - o Enhance gainful employment
 - o Achieve optimal utilization of human resources
 - o Attain international competitiveness and to transform India into a major partner and player in the global arena.
- They focus on deregulating Indian industry as well as allowing flexibility in responding to market forces.

- Automotive, being one of the largest industries, facilitates the improvement in various infrastructure facilities like power, rail and road transport.
- ‘Department of Heavy Industry’ is concerned with the development of heavy engineering industry in the country, which are the basis for power projects, cement plants, steel plants, mining equipment, petro-chemical plants, etc. and includes boilers, electrical furnace, material handling equipment, metallurgical machinery, rubber machinery, oil field equipment, etc. While, light engineering is a diverse industry with the number of distinctive sub-sectors such as medical and surgical instruments; ferrous castings; seamless steel pipes and tubes; process control instruments, welding equipment; etc.
- **Biotechnology** is among the fast growing knowledge-based industrial sectors which has the immense potential to revolutionize agriculture, healthcare, industrial processing and environmental sustainability.
- The rapid build-up of **fertilizer** production capacity in the country has been achieved as a result of a favourable policy environment.
- Due to globalization and rising demands of infrastructure, **real estate** and **auto** sectors, **steel** has become one of the fastest growing industries.
- Whereas, the ‘**Ministry of Mines**’ is responsible for overall development of minerals and mining sector in the economy.
- **Drugs and pharmaceuticals** is another significant industry showing considerable progress over the years. India holds fourth position in terms of volume and thirteenth position in terms of value of production in pharmaceuticals.
- The Indian **Food processing** industry is one of the largest in the world in terms of production, consumption, export and growth prospects. Many new items like ready-to-eat food, beverages, processed and frozen fruit and vegetable products, marine and meat products etc. are being produced as well as cold storage facilities, food parks, packaging centres etc. are being set up.

Thus, industries are the mainstay of the Indian economy. They help to promote regional development, eradicate poverty as well as uplift the standard of living of the people. India’s vast domestic market, skilled and technical manpower as well as low production and R&D costs have been making India a manufacturing hub.

It appears, India’s appeal, as a global manufacturing destination is not yet solidified. The country dropped two spots in current 2013 Global Manufacturing Competitiveness Index rankings, falling from second to fourth since 2010. However, the decline may be short-lived, the country would regain its former position and once again become the world’s second most competitive manufacturing nation in the next five years, trailing behind China.

India has skilled & low-cost labour force because of :

- Rich talent pool of scientists and researchers offering cost-efficient research and development.
- Abundant availability of engineers and English-speaking workforce aid in the growth of services as well as manufacturing industry.
- Labour costs are among the lowest in the world.

Ambitious National Manufacturing Policy:

- Approved in 2011, the policy will aid in creating industrial enclaves that will offer lower taxes, faster permits and easier labor laws and is expected to boost the share of manufacturing from 16 percent of GDP in 2009 to 25 percent by 2022, adding 100 million jobs in manufacturing by 2022.
- Manufacturing as a percent of GDP may grow only up to 17 percent and add 69 million jobs.

India plans huge investments in infrastructure:

- India has recently announced US \$1 trillion investment in infrastructure over the next five years 2012-17.
- Huge investments in infrastructure provides a big market for manufacturers such as steel and cement industries, improves the logistics, and lowers the manufacturing costs and makes manufacturers more competitive.

Over the long term, India's workforce skills and cost advantages, improved policies and regulations, and significant investment are a likely boost its competitive advantage and will help maintain the country's position as a strong contender on the global manufacturing front.

India's largest manufacturing exports are textile goods, engineering goods and chemicals. It is the sixth largest manufacturer of automobiles (cars and commercial vehicles) in the world in 2011.

Over the next five years, the 20th century manufacturing stalwarts like the United States, Germany and Japan will be challenged to maintain their competitive edge to emerging nations such as China, India and Brazil, according to the 2013 Global Manufacturing Competitiveness Index report from Deloitte Touche Tohmatsu Limited's (DTTL) Global Manufacturing Industry group and the U.S. Council on Competitiveness.

Key statistics and data analysis as per 2013 Global Manufacturing Competitiveness Index report

Supplemental Data analysis Key statistics	India	Peer Average
Manufacturing GDP CAGR (2005-10)	8.5%	2.9%
Manufacturing GDP % of total GDP (2010)	14.2%	18.3%
Labour cost (US\$/hour)(2011)	0.9	21.9
Manufacturing exports % of total exports(2011)	50.3%	59.9%
Manufacturing jobs created per hundred persons (2001-2010)	1.6	-0.8
Highest corporate tax rate (2012)	32.4%	26.2%
Researchers per million population (INSEAD 2012)	136	2980
Per capital personal disposable income (US\$) (2011)	1271	15,886
Per capital personal disposable income (2011) CAGR (2001-2011)	11.7%	8.5%

Source: Deloitte Touche Tohmatsu Limited analysis

Global CEO Survey: 2013 Country manufacturing competitiveness index rankings.

Current competitiveness			Competiveness in five years		
Rank	Country	Index score 10=High 1=Low	Rank	Country	Index score 10=High 1=Low
1.	China	10.00	1.	China	10.00
2.	Germany	7.98	2.	India	8.49
3.	United States of America	7.84	3.	Brazil	7.89
4.	India	7.65	4.	Germany	7.82
5.	South Korea	7.59	5.	United States of America	7.69
6.	Taiwan	7.57	6.	South Korea	7.63
7.	Canada	7.24	7.	Taiwan	7.18
8.	Brazil	7.13	8.	Canada	6.99
9.	Singapore	6.64	9.	Singapore	6.64
10.	Japan	6.60	10.	Vietnam	6.50

Source: *DeloitteToche Tohmatsu Limited and U.S. Council on Competitiveness, 2013 Global Manufacturing Competitiveness Index*

Executives believe China leads overall and emerging markets will become more competitive in the near future.

A mosaic of Strengths and weaknesses Country level ratings for key drivers of competitiveness

Selected country / Manufacturing competitiveness drivers	Germany	U.S.	Japan	China	Brazil	India
Talent – driven innovation	9.47	8.94	8.14	5.89	4.28	5.82
Economic trade, financial and tax system	7.12	6.83	6.19	5.87	4.84	4.01
Cost of labour and materials	3.29	3.97	2.59	1.000	6.70	9.41
Supplier network	8.96	8.64	8.03	8.25	4.95	4.82
Legal and regulatory system	9.06	8.46	7.93	3.09	3.80	2.75
Physical infrastructure	9.82	9.15	9.07	6.47	4.23	1.78
Energy cost and policies	4.81	6.03	4.21	7.16	5.88	5.31
Local market attractiveness	7.26	7.60	5.72	8.16	6.28	5.90
Healthcare system	9.28	7.07	8.56	2.18	3.33	1.00
Government investments in manufacturing and innovation	7.57	6.34	6.80	8.42	4.93	5.09
	Most Competitive	Least Competitive				
	Scores on a 10 point scale, where 1 being ‘Least competitive’ and 10 being ‘ Most Competitive’ adjusted for country, size and industry					

Source: DeloitteToche Tohmatsu Limited and U.S. Council on Competitiveness, 2013 Global Manufacturing Competitiveness Index

High economic growth provides a vast domestic market for manufacturers. To tap this opportunity, global manufacturers are setting up plants in India, bringing the latest technology, and competing with the local manufacturers. Competition between the foreign multinationals and local companies pushes companies to improve productivity and also encourages them to invest more in innovation.

Services sector

The service industry forms a backbone of social and economic development of a region.

It has emerged as the largest and fastest-growing sectors in the world economy, making higher contributions to the global output and employment. Its growth rate has been higher than that of agriculture and manufacturing sectors. It covers a wide range of activities, such as trading, transportation and communication, financial, real estate and business services, as well as community, social and personal services.

- India is 13th in services output.
- It has the largest share in the GDP, accounting for 57% in 2012, up from 15% in 1950.
- Services sector provides employment to 27% of the work force and is growing speedily, with a growth rate of 7.5% in 1991–2000, up from 4.5% in 1951–80.
- **Information technology and Business process outsourcing (BPO)** are among the fastest growing sectors, having a cumulative growth rate of revenue 33.6%

between 1997 and 1998 and 2002–03 and contributing to 25% of the country's total exports in 2007–08.

Table 10.9 Overall Growth Performance of the IT-ITeS Sector

Year	Value (US\$ Billion)					Growth rate (%) 2011-12	CAGR (%) 11th Five Year Plan
	2007 -08	2008 -09	2009 -10	2010-11 (E)	2011-12 (P)		
Total IT BPO Services Revenue	52.1	59.9	64.0	76.3	87.6	14.8	13.9
Exports	40.4	47.1	49.7	59.0	68.7	16.4	14.2
Domestic	11.7	12.8	14.3	17.3	19.0	9.7	12.8

Source : NASSCOM.

Notes : P = Provisional; E = Estimated.

- **Retail industry** is one of the pillars of Indian economy and accounts for 14–15% of its GDP. India is one of the fastest growing retail markets in the world, in terms of turnover and employment with 1.2 billion people. Many national and global players have been investing in the retail segment and are making all efforts to further expand the sector. Out of the total retail outlets in the country, most of them are related to food items.
- **Tourism** in India is relatively less developed, but is a high growth sector. It contributes 6.23% to the national GDP and 8.78% of the total employment. **Medical tourism** sectors are one of largest and fastest growing sector. It has to be developed in a sustainable manner. It is a major contributor to the international integration process for the country as well as preserver of cultural environments.
- The most important services in the Indian economy have been **Health and Education**. They are one of the largest and most challenging sectors and hold a key to the country's overall progress. A strong and well-defined **Health care** sector helps to build a healthy and productive workforce as well as stabilize population. While, **Education** strongly influences improvement in health, hygiene and demographic profile.
- The era of economic liberalization has showed a rapid change in the service industry. As a result, over the years, India is witnessing a **transition** from agriculture-based economy **to a knowledge-based economy**. The knowledge economy creates, disseminates, and uses knowledge to enhance its growth and development.
- Another major and upcoming service industry has been **Media and Entertainment**. It covers film, music, radio, broadcast, television and live entertainment. It plays a significant role in creating people's awareness about national policies and programmes by providing information and education to all.

Performance in Services: International comparison											
Country	Rank		Overall GDP (US\$ billion)		Share of Services (% of GDP)			Services of Growth Rate(%)			CAGR
	Overall Services		At current prices	At constant prices							
	GDP	GDP	2010	2010	2001	2009	2010	2001	2009	2010	
US	1	1	14447.1	13017.0	77.0	79.0	78.2	2.9	-1.4	1.2	1.8
Japan	2	2	5458.9	4578.5	69.8	71.7	70.0	2.0	-4.8	2.9	0.6
China	3	3	5739.4	3883.5	39.8	42.1	41.8	1.03	9.6	9.6	11.3
Germany	4	4	3280.3	2945.8	69.7	73.7	72.5	2.1	-1.6	2.3	1.4
France	6	5	2559.8	2206.6	76.5	78.9	78.1	1.7	-1.1	0.2	1.4
UK	5	6	2253.6	2330.0	73.9	78.8	78.4	3.5	-3.2	1.1	2.0
Italy	7	7	2051.3	1744.0	70.1	73.6	73.3	2.3	-2.9	1.2	0.6
Brazil	11	8	2089.0	1092.6	65.3	67.5	66.8	1.8	3.0	4.8	4.0
Spain	10	10	1407.3	1180.7	65.7	70.5	71.0	3.3	-1.0	0.7	2.7
Canada	9	9	1577.0	1203.9	64.9	70.7	70.2	3.46	0.1	2.5	2.8
India	8	11	1722.3	1251.6	50.0	56.5	57.0	7.5	10.1	7.7	9.4
Russia	12	12	1479.8	905.2	63.3	62.0	61.5	3.2	-5.6	2.9	5.5
World			63064.0	51040.5	68.1	68.7	67.8	2.9	-0.9	2.5	2.6

Source: Computed from UN National Accounts Statistics accessed on 8th February 2012.

- Note:**
- Rank is based on current prices
 - Share is based on constant prices (US \$)

Annual Growth in India's Services GDP at factor Cost (in Constant prices)							
	2005 - 06	2006 - 07	2007 - 08	2008 - 09	2009 - 10	2010 - 11	2011 -12
Trade, hotels & restaurants	12.2	11.1	10.1	5.7	7.8	9.0	11.2#
Trade	11.6	10.8	9.8	6.7	8.3	9.1	
Hotels & restaurants	17.4	14.4	13.0	-3.3	2.8	7.7	
Transport, storage & communication	11.8	12.6	13.5	10.8	14.8	14.7	
Railways	7.5	11.1	9.8	7.7	9.4	6.8	
Transport by other means	9.3	9.0	8.7	5.3	7.2	8.4	
Storage	4.7	10.9	3.4	14.1	8.7	7.9	
Communication	23.5	24.3	24.1	25.1	31.7	27.2	
Financing, Insurance, realestate & business services	12.6	14.0	12.0	12.0	9.4	10.4	9.1
Banking & insurance	15.8	20.6	16.7	14.0	11.3	14.5	
Real estate, ownership of dwellings & business services	10.6	9.5	8.4	10.4	7.8	6.9	
Community, social & personal services	7.1	2.8	6.9	12.5	12.0	4.5	5.9
Public administration & defence	4.3	1.9	7.6	19.8	18.2	1.3	
Other services	9.1	3.5	6.3	7.4	7.2	7.3	
Construction	12.8	10.3	10.8	5.3	7.0	8.0	4.8
Total services (excluding construction)	10.9	10.1	10.3	10.0	10.5	9.3	9.4
Total services (including construction)	11.1	10.1	10.3	9.4	10.0	9.2	8.8
TOTAL GDP	9.5	9.6	9.3	6.7	8.4	8.4	6.9

Source: Computed from CSO Data

Notes :@ PE *QE **AE

Includes the share of both trade hotels & restaurants and transport, storage & communication for 2011-12

Benefits of Services Sectors to the economy

- 1 Services sector has always been an attractive investment option for the corporate world.
- 2 It offers innumerable business opportunities to the investors.
- 3 It has facilitated the creation of several infrastructural facilities in the country as well as enhanced the productivity of various industries.
- 4 Besides helping in economic upliftment of the society, it promotes political and social well-being among the masses.
- 5 It has the capacity to generate substantial employment opportunities. It also increases per capita income.
- 6 Without it, Indian economy would not have acquired a strong and dominating place on the world platform.
- 7 The service industry helps to shape the people's opinion about various national and international issues and it increases their awareness by giving them a participative role in formulation of policies/ schemes/ programs/ plans.

The Micro-Small And Medium Entrepreneurs Development (MSMED) Act, 2006

The promulgation of MSMED Act, 2006 has expanded scope and ambit of the sector from the erstwhile Small Scale Industries to Micro, Small and Medium Enterprises with inclusion of both industrial and service sectors.

The Act provides the first-ever legal framework for recognition of the concept of "enterprise" (comprising both manufacturing and services) and integrating the three tiers of these enterprises, namely micro, small and medium. In accordance with the Act, these enterprises are classified into:

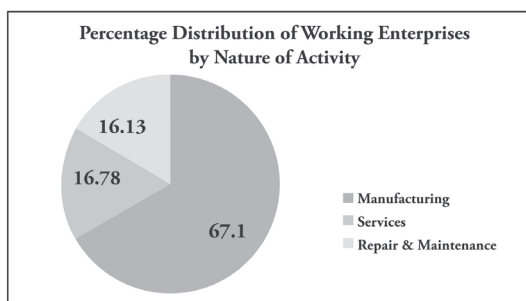
- (i) Manufacturing enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and regulation) Act, 1951. These are defined in terms of investment in plant and machinery;
- (ii) Service enterprises engaged in providing or rendering of services and are defined in terms of investment in complementary role.

Both categories have been further classified into micro, small and medium enterprises, based on their investment in plant and machinery (for manufacturing enterprises) or in equipment (in case of enterprises providing / rendering services) as under.

Enterprises	(Manufacturing Enterprises) Investment in Plant & Machinery	(Service Enterprises) Investment in Equipment
Micro	Up to Rs 25 lakhs	Up to Rs 10 lakhs
Small	Above Rs 25 lakhs up to Rs 5 crore	Above Rs 10 lakhs up to Rs 2 crore
Medium	Above Rs 5 crore up to Rs 10 crore	Above Rs 2 crore up to Rs 5 crore

Percentage Distribution of working MSM enterprises by Nature of Activity

Nature of Activity IN MSME	No of working Enterprises (in Lakhs)	% Share
Manufacturing	10.50	67.10
Services	2.62	16.78
Repairing & Maintenance	2.52	16.13
All	15.64	100



Published by - Development Commissioner of MSME, Ministry of Micro, Small and Medium Enterprises, Govt of India , Edition April 2011.

C. Status of Micro, Small and Medium Enterprises (MSME)

- MSME sector has been recognized as an engine of growth all over the world.
- It is characterized by low investment requirement, operational flexibility, location wise mobility, and import substitution.
- It has accorded the sectors a top most priority and has undertaken several initiatives for protecting their interest such as reservation of items for exclusive manufacture by them.
- The major advantages of the industry are its labour intensive nature, generating higher rates of employment growth as well as production at low capital cost.
- This sector constitutes larger number of total enterprises in the economy, account for a major share of industrial production and exports.

- It is the second largest employer of human resources after agriculture, providing employment to large number of people in the rural and urban areas of the country.
- **Clusters** are defined as sectorial and geographical concentration of enterprises. Clustering and networking has helped the small and medium enterprises in boosting their competitiveness. India has over **400 SME clusters** and about **2000 artisan clusters**.

It is estimated that these clusters contribute 60 per cent of the manufactured exports from India. Almost the entire gems and jewelry exports are from the clusters of Surat Jaipur and Mumbai. Some of the small scale enterprise clusters are so big that they account for 90 per cent of India's total production output in selected products. For example, the clusters of Chennai, Agra and Kolkata are well known for leather and leather products.

- The Government has been encouraging and supporting the sectors through policies for infrastructural support, technology up-gradation, preferential access to credit, reservation of products for exclusive manufacture in the sectors, preferential purchase policy, etc.
- It has been offering packages of schemes and incentives through its specialized institutions in the form of assistance in obtaining finance; help in marketing; technical guidance; training and technology up gradation, etc.

D. Recognised List of Activities

List of the activities, which are recognized as Small Scale Service and Business (Industry Related) Enterprises (SSSBs) as on 1st January 2002: -

- Advertising Agencies
- Marketing Consultancy
- Industrial Consultancy
- Equipment Rental & Leasing
- Typing Centres
- Photocopying Centres
- Industrial Photography
- Industrial R& D Labs
- Industrial Testing Labs
- Desk Top Publishing
- Internet Browsing/Setting up of Cyber Cafes
- Auto repair, services and garages
- Documentary Films on themes like Family Planning, Social forestry, energy conservation and commercial advertising
- Laboratories engaged in Testing of Raw Materials, Finished Products
- "Servicing Industry" undertakings engaged in maintenance, repair, testing or

electronic/electrical equipment/instruments i.e. measuring/control instruments, servicing of all types of vehicles and machinery of any description including televisions, tape recorders, VCRs, Radios, Transformers, Motors, Watches, etc.

- Laundry and Dry Cleaning
- X-Ray Clinic
- Tailoring
- Servicing of agriculture farm equipment e.g. Tractor, Pump, Rig, Boring Machine, etc.
- Weigh Bridge.
- Photographic Lab
- Blue Printing and enlargement of drawing/designs facilities
- ISD/STD Booths
- Teleprinter/Fax Services
- Sub-Contracting Exchanges (SCXs) established by Industry Associations
- Entrepreneurship Development Institutes established by Voluntary Associations/ Non-Government Organization
- Coloured, Black and White studios equipped with processing laboratory
- Ropeways in hilly areas
- Installation and operation of Cable T.V. Network
- Operating EPABX under franchises
- Beauty Parlours and Crèches

List of the activities **which are not recognized** as Small Scale Service and Business (Industry Related) Enterprises (SSSBs):-

- Transportation
- Storage (except cold storage which is recognized as SSI)
- Retail/Wholesale Trade Establishments
- General Merchandized Stores
- Sale Outlets for industrial components
- Health Services including Pathological Laboratories
- Legal Services
- Educational Services
- Social Services
- Hotels

While planning to step into the world of business, you need to draw up not only your business plan, product/service model, financing options, but also make a comprehensive list of all the compulsory regulations that your business entity will have to comply with such as the taxation legislations, licensing requirements, etc.

E. Registration Formalities of Micro, Small, Medium Enterprises

Micro, small and medium enterprises (MSME) which fall under any of these three categories can apply for registration. MSME registration that falls under the MSMED Act facilitates promotion and development of enterprises and improves its functioning. Any type of enterprise can apply for SME registration. These include proprietorship enterprises, enterprises managed by Hindu undivided families, enterprises run by association of individuals, co-operative societies, partnership firms and enterprises managed by companies or undertakings. After registration, an enterprise becomes eligible to get the benefits under the MSMED Act.

There are two stages of registration-provisional and permanent (final). An enterprise is granted provisional registration when it is at a pre-investment stage. After getting provisionally registered, an enterprise can apply for permanent registration just before launching its production facilities. However, an enterprise that is already functioning need not have to apply for provisional registration as it is eligible to apply for permanent registration.

Benefits of MSME Registration in India

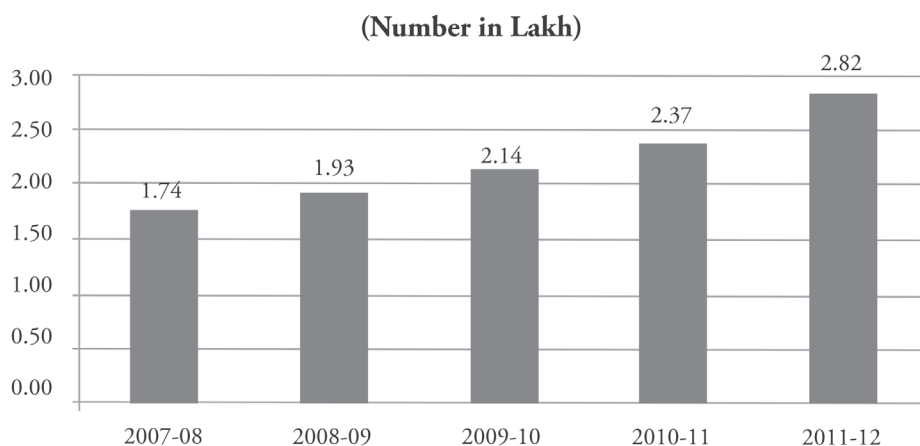
The MSME registration process in India has been conceptualized to provide maximum benefits to all types of enterprises. After registration, any enterprise becomes qualified to reap the benefits offered under the MSMED Act. For example, after provisional registration an enterprise can seek financial credit and also other facilities like land, industrial set-up, and water/electricity/telephone connections.

After getting registered through a competent authority, an enterprise is allotted a MSMED registration/ Entrepreneurs memorandum (EM) number. The concerned enterprise should get the number printed on letterheads, invoices, bills, supply order sheets and other necessary documents. The EM number helps in identification of MSME suppliers and to become an authorized MSE supplier after registration.

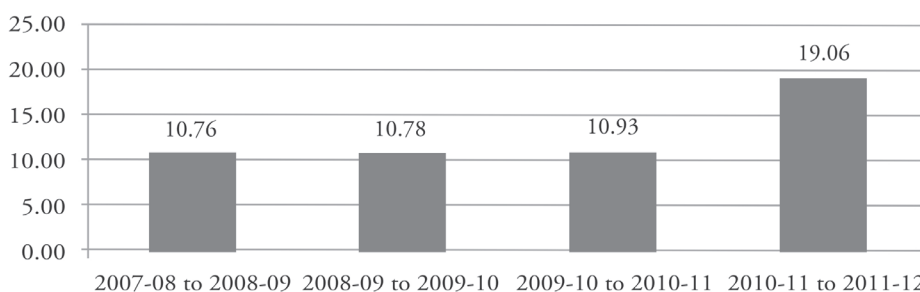
Number of (Entrepreneurs Memorandum) EM-II issued to the MSMEs by the DICs under the various State/UT Commissionerates/Directorates of Industries during 1st April 2007 up to 31st March 2012.

F. Trends In MSMEs Growth

Annual Growth Rate on preceding years



MSMEs has shown constant growth rate of more than 10% every year till 2010-11, whereas in year 2011-12 growth rate was 19% which is approximately twice of the Growth rate recorded for previous years.



Source – Govt of India. Development Commissioner (MSME) Ministry of Micro, Small & Medium Enterprises

Distribution of working enterprises by Sector in Rural and Urban Areas

	Micro	Small	Medium	Total
Rural	6.87	0.19	0.01	7.07
Urban	7.98	0.57	0.02	8.57
All	14.85	0.76	0.03	15.64

Published by - Development Commissioner of MSME, Ministry of Micro, Small and Medium Enterprises, Govt of India , Edition April 2011.

G. Selection of Types of Ownership Organisation

Introduction

The selection criteria of a proper form of organization are crucial for the success of a business enterprise. Every entrepreneur has to decide, at the outset, about the type of organization, which he plans to select for his/her private enterprise. It is an important entrepreneurial decision. This choice is by and large influenced by the socio-cultural norms and then prevailing industrial environment.

The decision of an entrepreneur depends on a number of variable factors. Among the many, the following factors are given weightage in making a choice of a suitable form of organization, which is most suited to one's enterprise. The deciding core factors are:

1. Type of business – service, trade, manufacturing
2. Selection of industry and the area of operation
3. Scope of operations, volume of business and the size of the market, including its expected growth potential.
4. Amount of capital funds required – initial capital, working capital.
5. Possibility of raising resources from the market – institutions, subsidies and other incentives.
6. Costs and procedures and relative freedom from Government regulation.
7. Comparative tax advantage etc.
8. Size of the risk.
9. Continuity of the enterprise
10. Degree of direct control and adaptability of administration

By and large, the final organizational choice is a compromise that is most suitable to the entrepreneur's needs. The above ten factors are the major factors that will influence the choice of a proper form of an organization, which will withstand all the stresses and pressures and strive for its smooth progress on an ongoing basis.

Choice of organization also depends on the entrepreneurial skills and vision.

Ownership Organization

The first and foremost question in organizing a small-scale industry is that of ownership, represented by the right of an individual or a group of individuals to acquire legal title to assets for the purpose of controlling an industrial operation and enjoying the gains or profits rolling from such activities.

The chief forms of an ownership organization are:

- (a) Sole proprietorship;
- (b) Partnership;
- (c) Co-operative society; and
- (d) Joint-stock company.

The selection of the form of organization depends basically on the nature of industrial activity proposed to be undertaken, the scale of operations in terms of the volume of business proposed to be handled, the scope of the market to be covered, the sharing of risks and tax advantages.

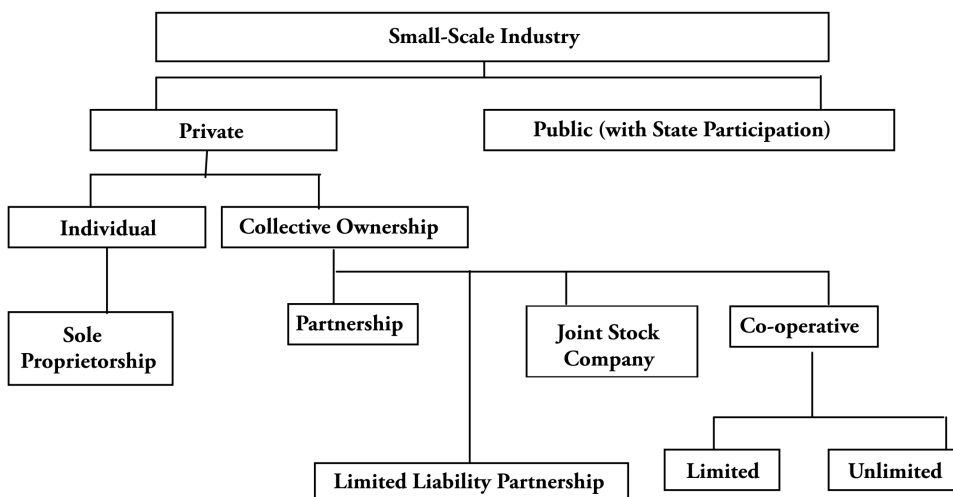
Salient features of all forms of organization are:

- (a) Relationship – Line, Indirect, Staff
- (b) Authority – Direct, Indirect, Representative.
- (c) Responsibility – General, Specialized, Advisory.

In other words, the organizational structure is based on:

- (a) Division of labour;
- (b) Co-ordination;

Forms of ownership organizations in a small-scale Enterprise



H. Comparative Evaluation of Different Forms of Business Ownership

Basis of Comparison	Sole Proprietorship	Partnership	Private Company	Public limited Company
1. Formation	Easiest, no legal formalities	Easy, only an agreement required	Difficult, some legal formalities	Very difficult, several legal formalities
2. Registration	Not necessary	Optional	Compulsory	Compulsory
3. Membership	One man show Single membership	Minimum : 2 Maximum : 10 In banking and 20 in others	Minimum : 2 Maximum : 50	Minimum : 7 Maximum : No limit
4. Legal status	No separate legal existence	No separate legal existence	Separate legal entity	Separate legal entity
5. Liability of Members	Unlimited, full risk	Unlimited, Joint and several, risk shared	Limited	Limited
6. Financial capacity & suitability	Limited capital suitable for small business	Pooling of capital, suitable for medium size	Large capital, suitable for medium scale business	Very large capital suitable for large scale operations
7. Sharing of profits	All to the owner	As per agreement	On the basis of shares held	On the basis of shares held
8. Management & Control	Quick decision, management & ownership lie in the same hands	Unanimous decision, limited specialization, management lies where ownership is.	Board decisions, greater specialization, ownership and control go together	Board decision, specialization, ownership and management is Separate
9. Business secrecy	Perfect secrecy No audit or reports	Secrets limited to partners, no audit or reports compulsory	Secrets shared by members audit and reports compulsory	Secrets shared with public, audit and reports compulsory
10. State regulation & flexibility	Practically none, full flexibility of operations	Very little, sufficient, flexibility	Considerably, limited flexibility, privileges, & exemptions	Excessive, no flexibility
11. Transferability of interest	At will	With mutual consent	Restricted as Articles of Association	Freely transferable
12. Tax burden	Low at small level of income, progressive rate	Low at small level of income, progressive rate	Low at medium level of income, flat rate, double taxation	Low at high level of income, flat rate double taxation
13. Stability or continuity	Unstable, life fully dependent on the owner	Less stable, may be dissolved by death, insolvency, etc. of a partner	Perpetual existence	Perpetual existence
14. Winding up	At will	At will	Under the Act	Under the Act
15. Governing Act	General law	The Partnership Act. 1932	The Companies Act. 1956	The companies Act. 1956

I. A newly introduced Form of Business – Limited Liability Partnership (LLP)

The Budget 2009-10 has introduced the provisions regarding taxation aspect of the newly introduced form of business Limited Liability Partnership.

An overview of LLP

Limited Liability Partnership (LLP) is a partnership in which some or all partners (depending on the jurisdiction) have limited liability. In an LLP, one partner is not responsible or liable for another partner's misconduct or negligence. This is an important difference from that of an unlimited partnership. In an LLP, some partners have a form of limited liability similar to that of the shareholders of a corporation.

Origin

The Limited Liability Partnership was formed in the early 1990s in United States in the consequence of the collapse of real estate and energy prices in Texas in the 1980s. This collapse led to a large wave of bank and savings and loan failures. Because the amounts recoverable from the banks were small, efforts were made to recover assets from the lawyers and accountants who had advised the banks in the early 1980s. The reason was that partners in law and accounting firms were subject to the possibility of huge claims which would bankrupt them personally, and the first LLP laws were passed to shield innocent members of these partnerships from liability.

Apart from India Many Countries like Canada, China Germany, Greece, Japan, Kazakhstan, Poland, Romania, and Singapore have felt the need to recognize LLPs in their country.

Limited Liability Partnership in India

Preface

In India, The Limited Liability Partnership Act, 2008 was published in the official Gazette of India on January 9, 2009 and has been notified with effect from 31 March 2009. The first LLP was incorporated in the first week of April 2009. Some sections relating to conversion of existing partnership firms and private as well as public unlisted companies into LLP have been brought into force on 31-5-2009

Salient features of an LLP

- a. An LLP is a body corporate and legal entity separate from its partners. It has perpetual succession.
- b. Being the separate legislation (i.e. LLP Act, 2008), the provisions of Indian Partnership Act, 1932 are not applicable to an LLP and it is regulated by the contractual agreement between the partners.
- c. Every Limited Liability Partnership shall use the words "Limited Liability Partnership" or its acronym "LLP" as the last words of its name.

- d. It contains elements of both 'a corporate structure' as well as 'a partnership firm structure'.
- e. Every LLP shall have at least two designated partners being individuals, at least one of them being resident in India and all the partners shall be the agent of the Limited Liability Partnership but not of other partners.
- f. LLP agreement is not mandatory but in the absence of LLP agreement, mutual rights and liabilities of partners shall be determined as provided under Schedule I to the LLP Act.

Advantages of forming an LLP

- a. LLP form is a form of business model which is organized and operates on the basis of an agreement.
- b. Liability of partners is limited to their agreed contribution in the LLP and no partner is liable on account of the independent or un-authorized actions of other partners, thus individual partners are protected from joint liability created by another partner's wrongful business decisions or misconduct.
- c. LLP has more flexibility and lesser compliance requirements as compared to a company.
- d. Simple registration procedure, no requirement of minimum capital, no restrictions on maximum limit of partners.
- e. It is easy to become a partner or leave the LLP or otherwise.
- f. It is easier to transfer the ownership in accordance with the terms of the LLP Agreement.
- g. As a juristic legal person, an LLP can sue in its name and be sued by others. The partners are not liable to be sued for dues against the LLP.
- h. No restriction on limit of the remuneration to be paid to the partners like companies, but the remuneration must be authorized by the LLP agreement and it cannot exceed the limit prescribed under the agreement.
- i. The Act also provides for conversion of existing partnership firm, private limited Company and unlisted public Company into an LLP by registering the same with the Registrar of Companies (ROC).
- j. No exposure to personal assets of the partners except in case of fraud.

Disadvantages of forming an LLP

- a. Any act of the partner without the consent of other partners, can bind the LLP.
- b. Under some cases, liability may extend to personal assets of the partners.
- c. An LLP are not allowed to raise money from Public.
- d. Because of the hybrid form of the business, it is required to comply with various rules & regulations and legal formalities.
- e. It is very difficult to wind up the business in case of exigency as there are a lot of legal compliances under Limited Liability Partnership (Winding Up and Dissolution) Rules and it is very lengthy and expensive procedure.

How to Form of an LLP?

Any two or more persons can form an LLP. Even a limited Company, a foreign Company, a LLP, a foreign LLP or a non-resident can be a partner in LLP. Although, there is no specific mention, a HUF represented by its Karta and a Minor can also be partner in LLP.

An Incorporation document (similar to memorandum) and LLP agreement (similar to articles of association) is required to be filed electronically. The Registrar of Companies (ROC) shall register and control LLPs.

Steps to form an LLP:-

Step 1 - Deciding the partners and designated partners for forming

Step II - Obtaining the Director Identification number and Digital signature

Step III - Checking name availability for LLP

Step IV - Drafting of LLP Agreement

Step V - Filing of incorporation document

Step VI - Certificate of incorporation

Accounting aspects of Limited Liability Partnership

Every LLP shall maintain books of accounts and submit a statement of accounts and solvency within a period of 30 days from the end of six months of the financial year. It is also required to file annual return within 60 days from the end of the financial year. Apart from that, an LLP is also required to get its accounts audited if annual turnover exceeds Rs. 40 Lakhs or the contribution exceeds 25 Lakhs.

Revised Schedule-VI to the Companies Act, 1956 is not applicable to an LLP. It applies to all companies registered under the Companies Act but LLP is a body corporate and not a company.

Taxation aspects of Limited Liability Partnership

Income Tax

Budget 2009-10 has brought provisions regarding taxation of LLPs. Limited Liability Partnership will be treated as Partnership Firm for the purpose of Income tax and accordingly, all the relevant provisions regarding taxation of partnership firm has been modified.

Service Tax

For the purpose of Service tax also, an LLP will be treated as partnership firm only. Service Tax Rules, 1994 has been amended by the Service Tax (Amendment) Rules, 2012 to consider LLP as a partnership firm.

Sales Tax/VAT:-

Under Sales tax, LLP is treated as body corporate. The definition of “Dealer” under Central Sales Tax, 1956 includes body corporate also.

Different perspective of Limited Liability Partnership

Type of business Sector:-

LLP can be formed to do any type of business (manufacturing, trading, commercial or professional service) for the objects to earning the profit. However, it cannot be formed for the charitable purpose.

Foreign Direct Investment in LLPs

Foreign Direct Investment in Limited Liability Partnership is allowed, with the specific approval of the government, in those sectors/activities where 100% FDI is otherwise allowed under the automatic route and there are no FDI-linked performance related conditions.

J. Various Registrations as per Forms & Types of Organisations

	Sole proprietary		Hindu Undivided family		Partner - ship		Limited Liability Partnership		Private Limited		Public Limited	
	Ind.	Serv.	Ind.	Serv.	Ind.	Serv.	Ind.	Serv.	Ind.	Serv.	Ind.	Serv.
1. MSME Registration	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2 . Obtain Director Identification Number (DIN) online	X	X	X	X	X	X	✓	✓	✓	✓	✓	✓
3. Obtain digital signature certificate on-line	X	X	X	X	X	X	✓	✓	✓	✓	✓	✓
4. Reserve the company name with the Registrar of Companies (ROC) / Registrar of firms (ROF)	X	X	ROF	ROF	ROF	ROF	ROC	ROC	ROC	ROC	ROC	ROC
5. Pay stamp duties online, file all incorporation forms and documents online and obtain certificate of incorporation	X	X	X	X	X	X	✓	✓	✓	✓	✓	✓
6. Make a seal to issue share certificates & other documents	X	X	X	X	X	X	✓	✓	✓	✓	✓	✓
7. PAN (Permanent Account No for tax payment purpose for company)	Indi dual	Indi dual	Each member	Each member	Firm	Firm	Firm	Firm	Com pany	Com pany	Com pany	Com pany
8 TAN (Tax deduction (TDS) & collection account number(TCS) for depositing tax deducted at source.	Indi dual	Indi dual	Each member	Each member	Firm	Firm	Firm	Firm	Com pany	Com pany	Com pany	Com pany
9. Registration under Shop and Establishment Act (if employment is given)	✓	✓	X	X	X	X	X	X	X	X	X	X
10. VAT (Value Added Tax) is introduced by Commissioner of Sales tax	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
11 Service Tax Registration	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
12. Profession Tax	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
13. Register with Employees Provident Fund Organization applies to an establishment employing 20 or more persons.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
14. Employee Provident Fund & ESI	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
15 Importer - Exporter Code Certificate	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

K. Steps of Ladder the Small Entrepreneur has to Climb

It is a Continuous Process of Industrialization

1. Analyze yourself and your objectives
2. Date with yourself for newer ideas
3. Refer publications and consult agencies
4. Discuss all areas with SISI & D.I office
5. Date with Yourself for a decision
6. Choose a Line
7. Decide on form of ownership (Proprietary/Partnership/ LLP/ Private/Public Ltd.)
8. Decide whether to purchase a going concern or to start a new one
9. Obtain the project report from SISI or elsewhere or prepare it yourself
10. Decide on location and site
11. Arrange the worksheet with facilities
12. Make sure what laws will particularly affect you
13. Obtain Clearance from Central, State & Local Authorities & SSI Regn. No
14. Plan Finance
15. Plan sources of Machinery
16. Place order for Machinery (Preferably on Hire-purchase)
17. Apply for Materials (If Imported or Controlled)
18. Plan Buying
19. Install Machinery
20. Procure Materials
21. Recruit Personnel
22. Trial run
23. Decide on Pricing policy
24. Organize Marketing
25. Plan out Record-keeping
26. Produce
27. Sell
28. Keep-up-to-date
29. Plough Back Profits
30. Diversification
31. Modernization
32. Compete with others
33. Grow Bigger
34. Ancillary development

The success of the business solely depends upon doing the right thing at the right time. A small-scale industrialist has to be conversant with the varied regulations governing the small-scale industry and the procedures to be followed in order to acquire the necessary assistance and incentives offered by the Government from time to time.

The procedural aspects of the small-scale industry are quite formidable. Each and every entrepreneur is often overwhelmed by the multitude of procedures, which help to face at every stage of the development of a small-scale industry. It is therefore, necessary to emphasize here that the aspirant should concentrate more on the purpose and the principles underlying the various procedural formalities than on such routine formalities as filing of various forms, applications etc.

L. An Exciting Time to Start Your own Business

There has never been a more exciting time to start your own business! New businesses are becoming quite active every day across the country. Young people starting their careers at home-based businesses, previously employed middle managers, or regular youngsters looking to earn some extra cash. B school aspirants are now moving away from seeking wealth in salaries and are finding themselves inspired by the entrepreneurial spirit.

The change in the environment has made it relatively easier today. Finance is easily available in the form of venture funding. Changes in government programs and tax benefits for minority-owned businesses provide the incentives. With the advent of better technology it has never been easier to convert ideas into reality.

All of these cultural changes working together have created an atmosphere of opportunity in the entrepreneurial environment. It's now up to you making the decision to be an entrepreneur being the hard part. All you have to do is choose the type of business that meets your financial, emotional, and intellectual requirements, and get going!

Classifications OF Businesses:

- 1 Agriculture and mining businesses produce raw material, such as plants or minerals.
- 2 Financial businesses include banks and other companies that generate profits through investment and management of capital.
- 3 Information businesses generate profits primarily from the sale of intellectual property and include movie studios, publishers and Internet and software companies.
- 4 Manufacturers produce products, from raw materials or from component parts, and then sell their products at a profit. Companies that make tangible goods such as cars, clothing or pipes are considered manufacturers.
- 5 Real estate businesses sell, rent, and develop properties including land, residential homes, commercial and other buildings.
- 6 Retailers and distributors act as middlemen and get goods produced by manufacturers to the intended consumers, and make their profits by marking up their price. Most stores and catalog companies are distributors or retailers.

- 7 Service businesses offer intangible goods or services and typically charge for labour and services. Interior decorators, consulting firms and even entertainers are service businesses.
- 8 Transportation businesses deliver goods and individuals to their destinations for a fare.
- 9 Utilities produce public services such as electricity or sewage treatment, usually under a government charter.

M. List of business opportunities for entrepreneurs in various fields – includes Latest Business Trends

At any given time there are several emerging business trends in society. A new wave of entrepreneurs coupled with advances in technology has led to a changing business environment. For example, the telephone has been a primary source of communication for over a century, but utilizing our telephones to trade stocks, to send and receive photos and to surf the internet, is a new business trend that is a result of synergistic technologies. Although the elements of these trends have been around for years, the trends themselves emerge when the timing is right and when supportive factors come together.

Modern day consumers want speed, variety, quality, customization (tailored to the customers needs) and choice. As the products that we consume become more sophisticated and complex, consumers are demanding a quality relationship with the provider of these goods and services. They want the products to deliver what the advertiser promises.

Following is the representative list of start up ventures.

Agriculture & Farming

- Agri – tourism
- Agricultural marketing
- Agriculture or Crop Cultivation
- Basket and Broom Production
- Bee Keeping and Honey Production
- Canning Centre
- Coconut Juice Production
- Export Agricultural product
- Selling Fresh Fruits
- Fish Farming
- Foodstuff Retailing
- Frozen vegetables
- Fruit juices
- Herbs, Flowers Framing
- Livestock Feed Production
- Mushroom Farming
- Poultry Farm

Automotive

- New / old Car dealer
- Car rental Business
- Car wash centre / Mobile service
- Driving school for beginners
- Garage for vehicle maintenance
- Car emplishment
- Transportation
- Vehicle Customization
- Vehicle painting
- Vehicle registration agent and for

- Spare parts importer or dealer
- Start a car review blog
- driving licence
- Vehicle towing service

Beauty care

- Beauty parlour
- Establish a cosmetic shop
- Fitness center
- Makeup – bridal / stage artist
- Massage Therapist
- Production of body lotions
- Tattoo specialist

Child related businesses

- Child activity Centre
- Child day care activities
- Children's clothes
- Cooking classes for children
- Educational toys manufacturing
- Toy Cleaning Service
- Toy library

Computer & Internet Based Business

- (BPO) Business Process Outsourcing
- Advertising Network
- Computer Training Center
- Data entry
- Database provider
- E-book Cover Design
- Freelance Services
- Internet marketing services
- KPO (Knowledge Process Outsourcing)
- Managing financial portfolio
- Online Research
- Online sales and marketing
- Online store
- Personal finance coaching
- Programming Services
- Proofreading
- Recruiting and Online Headhunting
- Resume writing service
- Search Engine Positioning
- Transcript service
- Virtual Assistant
- Web Copywriting
- Web Development / Web Promotion

Eco friendly & Green

- Bamboo farming business
- Biodegradable packaging
- Carbon trading firm
- Composting business
- Dealing in scrap metal
- Eco home products
- Lawn care equipment, Service
- Organic beekeeping
- Organic caterer
- Organic grocery store or co-op
- Organic restaurant
- Rainwater collection system installation
- Recycled paper products
- Reusable shopping bags
- Solar energy panel installation
- Vermicomposting business
- Environmental Consultant
- Florist
- Garden / Lawn care service
- Gardening Consultant

- Green landscape design
- Green roof installation
- Handmade paper & paper products

Education

- Canteen facility in school / colleges
- Career counselor
- Computer Consultant
- Computer Trainer
- Consultancy in education
- Counseling – parents, career
- Graphologist – security,
- Office stationery supplies
- Producing Educational system installation
- School / college gathering / seminar / conference Facilitation
- School Chalk Production
- Seasonal Book Sales
- Teaching English online
- Tutoring
- Uniform Merchant
- Writing & organizing
- Quiz Competitions
- Recruitment Agency

Entertainment

- Actor or Actress
- Advertising Agency
- Art Directing
- Choreography
- Costume Designing
- DVD library
- Event management
- Lighting arranger
- Makeup Artist
- Online Entertainment Portals
- Organize Music/ dance / drama events
- Photography
- Recording Studios
- Recreational Activities
- Script reading
- Scriptwriting
- Sound Engineering Services
- Stage Scene Construction Management
- Talent Agent or Hunter
- Television Repair
- Venture into Movie Marketing
- Video Editing Services
- Voice over services for advertisements
- Movie Animation
- Movie Editor
- Movie production
- Music and Dining Clubs
- Musical Instrument dealer / repairing

Fashion & Style

- Bead Making
- Celebrity Manager
- Costume jewelry making
- Fashion Blogger
- Fashion Boutique
- Freelance Model
- Import&Export-Fashion Products
- Jewelry Designer - fashion
- Knitting
- Modeling Agency

- Fashion Consultant
- Fashion Designing
- Fashion Magazine
- Fashion Photography
- Footwear specialist
- Formal / Informal dresses
- Organize Fashion Events, Expos and Trade Shows
- Pattern Making
- Perfume Manufacturing
- Personality trainer
- Tattoo Specialist

Franchisee of well-known brands

Food

- Bakery
- Baking or Cooking classes
- Become a food Producer
- Cake decorating
- Canning specialist
- Catering from home
- Coffee shop
- Cooking classes for men
- Cooking classes for women
- Cupcake and Pastry Shop
- Dial a breakfast service
- Dial a meal service
- Dietary Foods
- Fast food business
- Food Blog writing
- Food item Manufacturer
- Food Processing
- Food Stand / moving van
- Frozen Foods
- Ice Cream parlour
- International cuisine
- Organic Foods
- Restaurant
- Restaurant Equipment dealer

Health care & Medical

- Ambulance service
- Elderly people care Centre
- Health Care Products Supply Business
- Health and Fitness Club
- Health Spa
- Herbal products
- Home healthcare business
- Medical equipment
- Medical store
- Medical Tourism Business
- Bio Medical Waste Disposal
- Medical Waste Recycling
- Nutrition Consultant
- Fitness Trainer
- Pharmaceutical Distribution
- Skin Care Center
- Veterinary Clinic
- Wellness instructor
- Yoga instructor / yoga Centre

Hobbies that make money

- Acting
- Antique pieces dealer
- Arts & crafts
- Baking
- Beads designing
- Blogging
- Master of ceremonies
- Motivational speaker
- Painting
- Pet Breeding
- Photography
- Proofreading

- Cartoonist
- Content Writing
- Dance Instructor
- Freelance Writer/Editor/Illustrator
- Gardening
- Gift articles / Gift baskets
- Interviewer

- Sculptures
- Setting up a small NGO
- Sewing
- Singing
- Teaching
- Window display in a shop / Mall
- Writing

Home based & work from home

- Babysitting
- Candle making
- Cartoonist
- Chalk production
- Event planning / party planner
- Fish farming
- Freelance writing
- Gardening Business
- Graphic design
- Hand-Made Carton Production
- Ice block production

- Landscaping
- Laundry services
- Liquid air freshener production
- Party Equipment Rentals
- PC / Mobile phone repair
- Research for companies
- School children project accessories
- Translation
- Tutoring
- Writing for magazine

Pets

- Become a dog health expert
- Dog Bathing
- Dog breeding
- Dog Daycare center
- Dog Food supplies
- Dog Grooming / obedience training

- Dog magazine / Dog blog
- Dog Walking
- Membership club for dog owners
- Pet Finding Business
- Skilled Pet Training
- Sports-competition for dogs

Professional services

- Consultancy services
- Corporate Training
- Feasibility & Preparation of Project reports consultant
- Financial Planner Human Resource Services Forensic Consultant Import, export procedures consultant
- Government contract Consulting
- Industrial suppliers
- Insurance agent
- Venture capitalist

- Logistics provider
- LCD projector, screen on rent
- Office equipment suppliers
- Personality analysis & testing
- Placement agency for full timers
- Placement agency for Part-time jobs
- Secretarial Service
- Specialized projects consultant
- Investment Broker
- Photocopying, Scanning, binding, lamination Service

Real estate

- Architectural services
- Construction Equipment rental Business
- Electrical Contractor/Electrician
- Interior Designer
- Real Estate Agency or Broker
- Real Estate Blogging
- Real Estate Development or Construction
- Real Estate Valuation
- Renovation and Repair
- Vacation homes rental Broker
- Water proofing & other maintenance

Retail business

- Retailing / shops of home products
- Retailing / shops for industrial products

Security Industry

- Become a Security Awareness Coach or Trainer
- Own Security Company
- Private Investigation Company
- Security Guard Recruitment Agency
- Graphologist - handwriting analysis

Guard Dog

- Become a Self Defense Coach
- Creating Security Information Products
- Executive Protection Agency (Bodyguards)
- Guard Dog Breeding Business
- Guard Dog Security Service
- Guard Dog Training Center
- Security Guard Certification Training Center
- Security Installation Business
- Self Defense Academy
- Self defense Driving School
- Selling Security Gadgets
- Start a Security Blog

Services

- Accounts writing
- Auditing Business
- Carpet cleaning
- Clock/Watch Repair
- Computer Maintenance Services
- Copying machines
- Courier services
- Electrical / electronic repair
- Gas agency
- House cleaning & washing
- Mobile Shop& repairs
- Import, Export Service
- Machinery rebuilding/Repair
- Money Lending Business
- Newspaper Delivery
- Petrol pump
- Packers & movers
- Sofa cleaning

Small manufacturing business

- All types of flour production
- Cold water starch
- Custom Beads Making
- Milk product Production
- Mineral Water Manufacturing
- P.O.P ceiling production

- Exercise Book Production
- Fiber Ceilings Casting
- Foam production
- Foodstuff packaging
- Ice Cream Production
- Insecticide manufacturing
- Kitchen roll /Toilet Rolls And Paper
- Leather Belt Manufacturing
- Liquid Air Freshener
- Paint Production Business
- Polythene / Nylon Bags
- Printing press
- Deodorant / Air Freshener
- Setting up A Bakery
- Fruit Juice plant &Packaging
- Soap and detergents
- Soya milk Production
- Toilet Cleaner Production

Sports

- Establish a local club
- Manufacture / Wholesale or Retail Sports Equipment
- Sports academy
- Sports coach
- Sports equipment
- Sports magazine
- Sports training facility
- Sports wear retail shop
- Trophy shop

Travel & tourism

- Airport Cab Sharing services
- City Sightseeing
- City Tour Guide
- Motorcycle Taxis
- Reconstruction and restoration of monuments, heritage sites
- Taxi Business
- Travel Agency

Franchisee of well - known brands

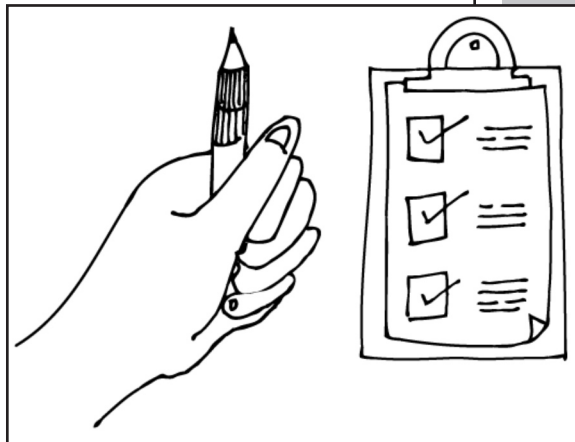
N. Appeal to all

We need more and more entrepreneurs to develop the nation. Becoming entrepreneur is not a destination but an endless journey.

Appeal to all those enthusiastic, daring and budding entrepreneurs - Stay Focused, Think Differently, Reach the Undiscovered sectors / markets, Follow your Dream, and most importantly Stay Positive and the country will look up to you with pride.

Questions

1. What is present status of Industry and service sectors in India.
2. What are the benefits of services sectors to the economy?
3. Explain the Micro, Small and Medium Enterprises.
4. What are various types of ownership organizations?



CONDUCTING FEASIBILITY STUDY AND PREPARING BUSINESS PLAN

CONDUCTING FEASIBILITY STUDY AND PREPARING BUSINESS PLAN

- A. Conducting a Feasibility Study**
- B. Reasons for Conducting a Feasibility Study**
- C. Writing a Business Plan**

A. Conducting Feasibility Studies

Feasibility study is often ignored but it is a fundamental and prerequisite for building a successful business from scratch. In fact, not doing feasibility study is one of the serious mistakes entrepreneurs make while starting a business.

Excuses given for not doing a Feasibility Study are-

Project leaders may find themselves under pressure and skip the “feasibility analysis” and go directly to building a business. Reasons given for not doing a feasibility analysis include:

- We know it’s feasible. An existing business is already doing it.
- Why do another feasibility study when one was done just a few years ago?
- Feasibility studies are just a way for consultants to make money.
- The market analysis has already been done by the business that is going to sell us the equipment.
- Why not just hire a general manager who can do the study?
- Feasibility studies are a waste of time. We need to buy the building, decide the site and bid on the equipment.

The reasons shared above should not dissuade you from conducting a meaningful and accurate feasibility study. Once decisions have been made about proceeding with a proposed business, they are often very difficult to change. You may need to live with these decisions for a long time.

“Starting a business is like jumping out of an airplane without a parachute. In mid air the entrepreneur begins building a parachute and hopes it to open before hitting the ground.” – Rich Dad.

B. Reasons to conduct Feasibility study before starting a business.

1. Helps to determine the profitability of the business venture. Before starting a business, seasoned entrepreneurs and investors would want to know if the business would be worth their time, effort and resources.

2. Helps prove to the entrepreneur, venture capitalists, lenders and investors the existence of the market, the liquidity of the business venture and the expected return on investment.
3. Helps to identify the flaws, business challenges, strengths, weaknesses, opportunities, threats and unforeseen circumstances that might affect the success and sustainability of the business venture.
4. Before starting a business, a feasibility study will enable you to estimate the financial, human and technological resources that will be needed to ensure the successful launching of the business.
5. Helps to determine the amount of capital required to start the business. It will also help you in establishing the budget plan, working capital and cash flow projections of the business.

Conducting a feasibility study need not be difficult or expensive, but the most important aspects should all be taken into account to ensure that likely problems are addressed.

The following questions that can be answered by a feasibility study are

1. **Is there a demand for the produce?** (Find out the characteristics required of the product and the size and value of the market)
2. **Who else is producing similar products?** (Determine the number and type of competitors)
3. **What is needed to make the product?**
(Find the availability and cost of staff, equipment, services, raw materials, ingredients and packaging)
4. **What is the cost of producing a product?**
(Calculate the capital costs of getting started and the operating costs of production)
5. **What is the likely profit?**
(Calculate the difference between the expected income from sales to an estimated share of the market and the costs of production)

Each of these aspects should be looked at in depth. When all the information has been gathered and analyzed, it would be possible to make a decision on whether the proposed investment in the business is worthwhile or whether the producer's money could be spent doing something better. Such considerations should be taken into account when an existing entrepreneur wishes to diversify production or to make a new product.

After the feasibility study is completed and when the projection are written down, the document is known as a '**business plan**'. It is a framework to guide the development of a business. However, it often happens that an entrepreneur pays fees to an adviser or consultant for preparing a business plan but then does not understand the contents, or having read it once, puts it away on a shelf never to be seen again. In the following parts of this Section, the above aspects are described in a systematic way.

C. Writing a Business Plan for a Start-up Business

The business plan consists of a narrative and several financial worksheets. The narrative template is the body of the business plan. It contains more than 150 questions divided into several sections. Work through the sections in any order that you like, except for the Executive Summary, which should be done last. Skip any questions that do not apply to your type of business. When you are finished writing your first draft, you'll have a collection of small essays on the various topics of the business plan. Then you'll want to edit them into a smooth-flowing narration.

The real value of creating a business plan is not having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think thoroughly. Study and research if you are not sure of the facts, and look at your ideas critically. It may take time now, but will avoid costly, perhaps disastrous, mistakes later.

This business plan is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. **Before you begin**, review the section titled 'Refining the Plan', found at the end. It suggests emphasizing certain areas depending upon your type of business (manufacturing, retail, service, etc.). It **also has tips** for fine-tuning your plan to make an effective presentation to investors or bankers. That is why when you're creating your plan, pay attention to your writing style. You will be judged by the quality and appearance of your work as well as by your ideas.

It typically takes several weeks to complete a good plan. Most of the time is spent in research and re-thinking your ideas and assumptions. But then, that's the value of the process. So find time to do the job properly. Those who do will never regret the effort. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.

Business Plan

Your Business Name

Name of the Owners

Address Line 1

Address Line 2

City, Code

Telephone no

Mobile no

Fax

E-Mail

I. Table of Contents

	Pg. No.
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II. Executive Summary.....	
III. General Company Description.....	
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II. Executive Summary

- 1 Write this section last.
- 2 We suggest that you make it two pages or fewer.
- 3 Include everything that you would cover in a five-minute interview by investor.
- 4 Explain the fundamentals of the proposed business: What will your product be? Who will be your customers? Who are the owners? What do you think the future holds for your business and your industry?
- 5 Make it enthusiastic, professional, complete, and concise.
- 6 If applying for a loan, state clearly how much funds you want, precisely how you are going to use it, and how the ideal will make your business more profitable, thereby ensuring repayment.

III. General Company Description

- 1 What business will you be in? What will you do?
- 2 Mission Statement: Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:
 - i) Company Goals and Objectives: Goals are destinations. Step by step where you

want your business to be? Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company which is the leader in customer service and that has a loyal customer following. Objectives would be annual sales targets and some specific measures of customer satisfaction.

- ii) Business Philosophy: What is important to you in business?
- 3 To whom will you market your products? (State it briefly here—you will do a more thorough explanation in the Marketing Plan section).
- 4 Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?
- 5 Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills and strengths do you personally bring to this new venture?
- 6 Legal form of ownership: Sole proprietor, Partnership, Private Limited, Public Limited? Why have you selected this form?

IV. Products and Services

- 1 Describe in depth your products or services(technical specifications, drawings, photos, sales brochures and other bulky items to be included in Appendices).
- 2 What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.
- 3 What is pricing, structures of your products or services?

V. Marketing Plan

Market Research - Why?

No matter how good your product and your service, the venture cannot succeed without effective marketing. And this begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure you're on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. Your time will be well rewarded.

Market Research - How?

- 1 There are two kinds of market research: primary and secondary.
- 2 Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, from vendors who sell to your industry, and from government agencies.

- 3 Start with your library research. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is available. There are more online sources than you could possibly use. Your Chamber of commerce has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.
- 4 Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the industrial directory to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owner how to do effective research themselves.
- 5 In your marketing plan, be as specific as possible; use statistics, numbers, and sources. The marketing plan will be the basis, later on, for the all important sales projection.

Facts

- 1 Facts about your industry:
- 2 What is the total size of your market?
- 3 What percent share of the market will you have? (This is important if you think you wish to be a major competitor in the market.)
- 4 Current demand in target market.
- 5 Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
- 6 Growth potential and opportunity for a business of your size.
- 7 What barriers to entry do you face in entering this market for your new company?
Some typical barriers are:
 - High capital costs
 - High production costs
 - High marketing costs
 - Consumer acceptance and brand recognition
 - Training and skills
 - Unique technology and patents
 - Logistics costs
 - Price barriers and quotas
- 8 And of course, how will you overcome the barriers?
- 9 How could the following affect your company?
 - Change in technology
 - Change in government regulations
 - Change in the economy
 - Change in your industry

Product / Service

In the Products and Services section, you have described your products and services as you see them. Now describe them from your customers' point of view.

Features and Benefits

List all of your major products or services. For each product or service:

- Describe the most unique features. What is special about it?
- Describe the benefits. That is, what will the product do for the customer?

Note the difference between features and benefits, and distinguish among them. For example, a house that gives shelter and lasts a long time is made with certain materials and to a certain design; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighbourhood. You build features into your product so that you can sell the benefits.

- 1 What after sale services will you give? Some examples are delivery, warranty, service contracts, support, follow up, and refund policy.

Customers

- 1 Identify your targeted customers, their characteristics and their geographic locations otherwise known as their demographics.
- 2 The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class and occupation
- Education
- Other (specific to your industry) preference Criteria

For business customers, the demographic factors might be:

- Industry (or portion of an industry)
- Location
- Size of firm
- Quality, technology, and price preference
- Other (specific to your industry)

Competition

What features and varieties will compete with you?

List your major competitors: (Names and Addresses)

- Will they compete with you across the board, or just for certain products, certain customers or in certain locations?
- Will you have the edge in direct competitors? (For example, video rental stores compete with theaters, although they are different types of businesses.)
- How will your products or services compare with the competition?
- Use the Competitive Analysis table below to compare your company with your two most important competitors. In the first column are the key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors.

In the column, of 'Our company' state how you honestly think from the customers minds. Then check, whether you think this factor will be strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses. Try to be very honest here. Better get some dispassionate strangers to assess you. This can be a real eye opener.

Now analyze each major competitor. In a few words, state what you think about them. In the final column, estimate the importance of each competitive factor to the customer.

1= critical; 5 = not very important.

Table : Competitive Analysis

Factor	Our Company	Strength	Weakness	Competitor A	Competitor B	Importance to Customer
Products						
Price						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						
Reputation						
Location						
Appearance						
Sales Method						
Credit Policies						
Advertising						
Image						

Now, write a short paragraph stating your competitive advantage and disadvantages.

Niche area

Now that you have systematically analysed your industry, your product, your customers, and the competition, you should have a clear picture of where your company exists.

In one short paragraph, define your niche, your unique position in the market.

Marketing Strategy

Now outline a marketing strategy that is consistent with your niche.

i) Promotion

- How will you get the word spread to targeted customers?
- Advertising: What media, why, and how often? Why this mix and why not some other? Have you identified minimised cost methods to get the most out of your promotional budget?
- Will you use methods other than media advertising such as trade shows, catalogues, dealer incentives, word of mouth (how will you stimulate it?), and network of friends or professionals?
- What image do you want to project? How do you want customers to see you?
- In addition to advertising, what plans do you have for graphic image support? This includes things like logo design, business cards and letterhead, brochures, signage, and interior design (if customers come to your place of business).
- Should you have a system to identify repeat customers and then find how to systematically contact them?

ii) Promotional Budget

- How much will you spend on the items listed above?
- Before start up? (These numbers will go into your startup budget)
- On going? (These numbers will go into your operating plan budget.)

iii) Pricing

Explain your method or methods of setting prices. For most small businesses, having the lowest price may not be a good policy. It robs you of needed profit margin; customers may not care as much about price as you think; and large competitors can under price you anyway. Usually you will do better to have average prices and compete on quality and service.

- Does your pricing strategy fit what was revealed in your competitive analysis?
- Compare your prices with those of the competition. Are they higher, lower, the same? Why?

- How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?
- What will be your customer service and credit policies?

iv) Proposed Location

Probably you do not have a precise location picked out yet. This is the time to think about what you want and need in a location. Many startups run successfully from home for a while.

You will describe your physical needs later, in the *Operational Plan section*. Here, analyze your location criteria, as they will affect your customers.

- Is your location important to your customers? If yes, how?
- If customers come to your place of business:
- Is it convenient? Easy Parking? Spacious Interior spaces? Not out of the way?
- Is it consistent with your image?
- Is it what customers want and expect?
- Where is the competition located? Is it better for you to be near them (like fast food restaurants, or convenience grocers or distant like cardealers)

v) Distribution Channels

- How do you reach your products or services?
- Retail outlets
- Direct (Mail order, Web, Catalogue)
- Wholesale distributors
- Your own sales promotion force
- Agents on contract
- Independent representatives
- Bid on contracts

Sales Forecast

Now that you have described your products, services, customers, markets and marketing plans in detail, it's time to attach some numbers to your plan. Use a sales forecast spreadsheet (attached) to prepare a month by month projection. The forecast should be based on historical sales, the marketing strategies that you have just described, your market research, and industry data, if available.

You may want to do two forecasts: 1) a “best guess”, which is what you really expect, and 2) a “worst case” low estimate that you are confident you can reach no matter what happens.

Remember to keep notes on your research and your assumptions as you build these sales forecast and all subsequent spreadsheets in the plan. This is critical if you are going to present it to funding sources.

VI. Operational Plan

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

i) Production

How and where are your products or services produced? Explain your methods of:

- Production techniques and costs
- Quality control & Quality assurance methods
- Customer service
- Inventory control
- Product development

ii) Location

- What features do you need in a location?
- Describe the types of location you'll have. Physical requirements:
 - o Area of space
 - o Type of building
 - o Zone features
 - o Power and other utilities

iii) Access:

- Is it important that your location be convenient to transportation or to suppliers? Do you need easy walk-in access?
- What are your requirements for parking and proximity to freeways, airports, railroads, and shipping centers?
- Include a drawing or layout of your proposed facility
- Construction? If you are planning to build, costs and specifications will be a big part of your plan.
- Cost: Estimate your occupation expenses, including rent, also including maintenance, utilities, insurance, and initial remodeling costs to make the space suit your needs. These numbers will become part of your financial plan.
- What will be your business hours?

iv) Legal Environment

Describe the following:

- Licensing and bonding requirements
- Permits / licences
- Health, workplace, or environmental regulations
- Special regulations covering your business or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

v) Personnel

- Number of employees
- Type of labour (skilled, unskilled, and professional)
- Where and how will you find the right employees?
- Quality of existing staff
- Pay structure
- Training methods and requirements
- Who does which tasks?
- Do you have schedules and written procedures prepared?
- Have you drafted job descriptions for employees? If not, take time to define These really help internal communications with employees.
- For certain functions, will you use contract workers in addition to regular employees?

vi) Inventory

- What kind of inventory will you keep: raw materials, supplies, consumables?
- Value of stock (i.e., what is your inventory investment)?
- Rate of turnover and how this compares to the industry averages?
- Seasonal build ups?
- Lead-time for ordering?

vii) Suppliers

- Identify key suppliers:
 - o Names and addresses
 - o Type volume and value of inventory
 - o Credit and delivery policies
 - o History and reliability of suppliers
- Should you have more than one supplier for critical items (as a backup)? Do you expect shortages or short-term delivery problems
- Are supply costs steady or fluctuating? If fluctuating, how would you deal with changing costs?

viii) Credit Policies

- Do you plan to sell on credit?
- Do you really need to sell on credit? Is it customary in your industry and expected by your clientele?
 - o If yes, what policies will you have about who gets credit and how much?
 - o How will you check the credit worthiness of new applicants?
 - o What terms will you offer your customers; that is, how much credit and when is payment due?
- Will you offer prompt payment discounts? (Hint: Do this only if it is usual and customary in your industry.)

- Do you know what it will cost you to extend credit? Have you built the costs into your prices?

ix) Managing Your Accounts Receivable

If you do extend credit, you should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems.

A receivables aging looks like the following table:

	Total	Current	30 Days	60 Days	90 Days	Over 90 Days
Accounts Receivable Aging						

You will need a policy for dealing with slow-paying customers:

- When do you make a reminder phone call?
- When do you send a letter?
- When do you get your attorney to counter the failures?

x) Managing Your Accounts Payable

You should also age your accounts payable, what you owe to your suppliers. This helps you to plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and can damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date.

- Do your proposed vendors offer prompt payment discounts?

A payables aging looks like the following table.

	Total	Current	30 Days	60 Days	90 Days	Over 90 Days
Accounts Payable Aging						

VII. Management and Organization

i) Manpower

- Who will manage the business on a day-to-day basis? What experience does that person bring to the business? What special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?
- If you'll have more than 10 employees, create an organizational chart showing the management hierarchy and who is responsible for key functions.
- Include position descriptions for key employees. If you are seeking loans from investors, include resumes of owners and key employees.

ii) Professional and Advisory Support

List the following:

- Partners / Board of directors
- Management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultant
- Mentors and key advisors

VIII. Personal Financial Statement

Include Personal financial statement (attached) for each owner and major stock holder, showing assets and liabilities held outside the business and personal net worth. Owners will often have to draw on personal assets to finance the business, and these statements will show what is available. Bankers and investors usually want this information as well.

IX. Start-up Expenses and Capitalization

- You will have many Start Up Expenses (attached) before you even begin operating your business. It's important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them.
- Even with the best of research, however, opening a new business has a way of costing more than you anticipate. There are two ways to make allowances for surprise expenses. The first is to add a little "padding" to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully wrought plan. The second approach is to add a separate line item, called contingencies, to account for the unforeseeable. This is the judicious approach we recommend.
- Talk to others who have started similar businesses to get a sound idea of how much to allow for contingencies. If you cannot get proper information, we recommend a rule

of thumb that contingencies should equal at least 20 percent of the total of all other start-up expenses.

- Explain your research and how you arrived at your forecasts of expenses. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent each ownership will have.

X. Financial Plan

The financial plan consists of a 12-month profit and loss projection, a three-year profit and loss projection, a cash-flow projection, a projected balance sheet and a break-even calculation. Together they constitute a reasonable estimate of your company's financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

i) 12-Months Profit and Loss Projection

- Many business owners think of the 12-months Profit and Loss Projection (attached) as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.
- Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year.
- Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.
- Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and also so that you can go back to your sources when it's time to revise your plan.

ii) Three-Year Profit Projection (Optional)

The 12-month projection is the heart of your financial plan. *The Three Year Profit projection (attached)* is for those who want to carry their forecasts beyond the first year.

Of course, keep notes of your key assumptions, especially about things that you expect will change dramatically after the first year.

iii) Projected Cash Flow

- If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.
- The point of this work sheet is to plan how much you need before start up, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps reduce expenses, or perhaps negotiate a loan. But foremost, you shouldn't be taken by surprise.
- There is no great trick to preparing it: The cash-flow projection (attached) is just a forward look at your checking of account.

- For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).
- You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases.
- You should also track cash outlays prior to opening in a pre-start-up column. You should have already researched those for your start-up expenses plan.
- Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.
- Explain your major assumptions, especially those that make the cash flow differ from the Profit and Loss Projection. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or in a deferred manner? How will this affect cash flow?
- Are some expenses payable in advance? When?
- Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal inventory buildup, which should be budgeted?
- Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them.
- And of course, depreciation does not appear in the cash flow at all because you never write a check for it.

iv) Opening Day Balance Sheet

- A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows which items of value held by the company (assets), and what its debts are (liabilities).
- When liabilities are subtracted from assets, the remainder is owners' equity.
- Use a startup expenses and capitalization spreadsheet as a guide to preparing a balance sheet as of opening day. Then detail how you calculated the account balances on your opening day balance sheet (attached).
- Optional: Some people want to add a projected balance sheet (attached) showing the estimated financial position of the company at the end of the first year. This is especially useful when selling your proposal to investors.

v) Break-Even Analysis

- A Break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, it's the sales level that is the dividing line between operating at a loss and operating at a profit.
- Expressed as a formula, break-even is:
- Break- Even Sales = Fixed Cost / 1-Variable Costs

(Where fixed costs are expressed in rupees, but variable costs are expressed as a percent of total sales)

Include all assumptions upon which your break-even calculation is based.

XI. Appendices

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blue prints and plans
- Maps and photos of location
- Magazine or other articles relating to similar business
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies
- List of assets available as collateral for a loan

Other Documents

- Audited Financial statements for the last three years of all the associate concerns of the applicant unit (if applicable)
- Certified copy of Memorandum and Articles of Association/ Certificate of Incorporation/ Certificate of Commencement of business/ Partnership Deed/ Trust Deed/ Bye-laws/ Registration Certificate from Registrar of firms/ Societies, as the case may be.
- IT/ Wealth Tax assessment orders/ returns/ certificates for the last 3 years in respect of the promoters.
- Photocopy of PAN card of all the promoters/ directors/ guarantors
- Know Your Customer (KYC)* Documents of all the promoters/ directors/ guarantors.
- Photographs of all the promoters/ directors/ guarantors with signatures duly certified by their bankers as per guidelines
- MSME registration certificate
- Collaboration agreement, if applicable
- Agreement with Technical consultants, if any
- Title Documents such as Sale/ lease deed/ agreement for the land and buildings on which the project is to be operated/ set up and of collateral securities, if any.
- Govt. order/ permission converting the land into industrial land, if required.
- Agreement with the electricity board for sanction of requisite power load
- No objection certificate/ Consent to establish to be obtained from the pollution control board

- Orders/ enquiries in hand for the output of the proposed project
- Invoices/ quotations for each item of plant & machinery and miscellaneous fixed assets proposed to be purchased under the project along with a write up on the technical specifications, advantages, etc. of the machinery.
- Detailed estimates for civil construction with bio-data of the builder/ architect.
- In-principle letter of sanction for working capital assistance to the applicant unit given by a Bank.
- In case some portion of the expenditure has already been incurred, please furnish necessary proofs (cash receipts) along with a CA certificate with regard to sources of finance, items of expenditure, etc.

In case a Company has promoted the applicant unit, please furnish Memorandum and Articles of Association and Audited Balance Sheet and Trading and Profit & Loss A/cs for the past three years of the promoter company.

XII. Refining the plan

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

For Raising Capital

For Bankers

- Bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:
 - Amount of loan registration details
 - How the funds will be used
 - What this will accomplish—how will it make the business stronger?
 - Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow.
- Collateral offered, and a list of all existing liens against collateral

For Investors

- Investors have a different perspective. They are looking for dramatic growth and they expect to share in the rewards:
 - Funds needed at short-term
 - Funds needed in two to five years
 - How the company will use the funds, and what this will accomplish for growth.
 - Estimated return on investment
 - Exit strategy for investors (buyback, sale, or IPO)
 - Percent of ownership that you will give up to investors
 - Milestones or conditions that you will accept
 - Financial reporting to be provided
 - Involvement of investors on the board or in management

For Specific Types of Business

Manufacturing

- Planned production levels
- Anticipated levels of direct production costs and indirect (overhead) costs—how do these compare to industry averages (if available)?
- Prices per product line
- Gross profit margin, overall and for each product line
- Production /capacity limits of planned physical plant
- Production /capacity limits of equipment
- Purchasing and inventory management procedures
- New products under development or anticipated to come online after startup

Service Businesses

- Service businesses sell intangible products. They are usually more flexible than other types of businesses, but they also have higher labour costs and generally very little in fixed assets.
- What are the key competitive factors in this industry?
- Your prices
- Methods used to set prices
- System of production management
- Quality control procedures. Standard or accepted industry quality standards.
- How will you measure labour productivity?
- Percent of work sub contracted to other firms. Will you make a profit on subcontracting?
- Credit, payment, and collection policies and procedures
- Strategy for keeping client base

High Technology Companies

- Economic outlook for the industry
- Will the company have information systems in place to manage rapidly changing prices, costs, and markets?
- Will you be on the cutting edge with your products and services?
- What is the status of research and development? And what is required to:
 - o Bring product/service to market?
 - o Keep the company competitive?
- How does the company:
 - o Protect intellectual property?
 - o Avoid technological obsolescence?
 - o Supply necessary capital?
 - o Retain key personnel?

High-tech companies sometimes have to operate for a long time without profits and some time even without sales. If this fits your situation, a banker probably will not want to lend to you. Venture capitalists may invest, but your detailing must be very convincing. You must do longer-term financial forecasts to show when profit take-off is expected to occur. And your assumptions must be well documented and well argued.

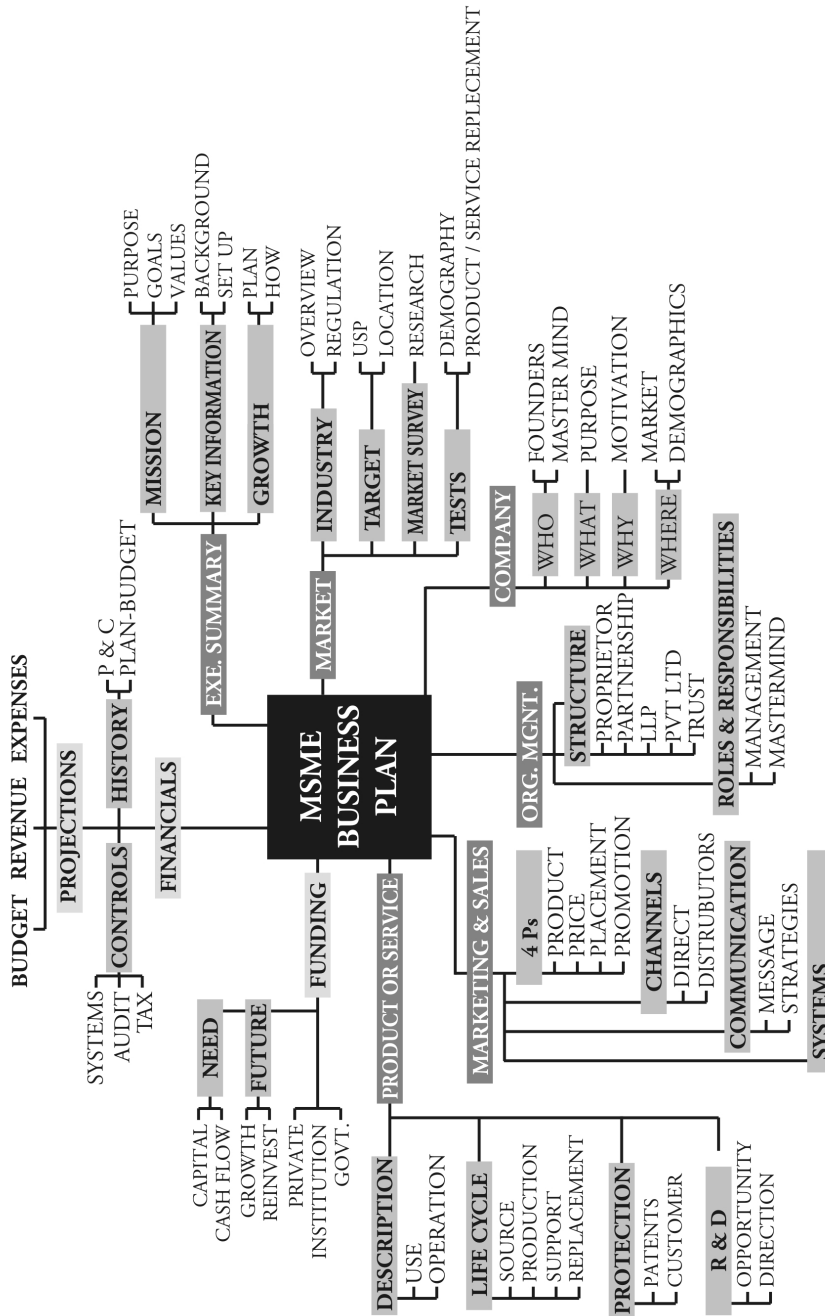
Retail Business

- Company image
- Pricing:
 - o Explain markup policies.
 - o Prices should be profitable, competitive, and in accordance with company image.
- Inventory:
 - o Selection and price should be consistent with company product and service.
 - o Inventory level: Find industry average numbers for annual inventory turnover rate. Multiply your initial inventory investment by the average turnover rate. The result should be at least equal to your projected first year's cost of goods sold. If it is not, you may not have enough budgeted for start-up inventory.
- Customer service policies: These should be competitive and in accord with company image.
- Location: Does it give the exposure that you need? Is it convenient for customers? Is it consistent with company image?
- Promotion: Methods used, cost. Does it project a consistent company image?
- Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?

Questions

1. Excuses given for not doing a Feasibility Study
2. 5 Reasons why to conduct Feasibility study before starting a business.
3. Describe the steps involved in the identification and selection of a project.
4. Discuss the fundamentals of a good feasibility plan. Explain the major components of a feasibility plan. Cite suitable examples.
5. Explain the contents of a good project report.
6. What do you mean by business planning process? Explain its steps.
7. Explain the concept of risk. How it is related to entrepreneurial functions?
8. Explain Technical Feasibility with reference of Project Management
9. Explain the factors involved in Financial Analysis.
10. What are the reasons for preparing Business Plan?

Mind Map : MSME Business Plan



Sample - (may vary as per your product / service)

Personal Financial Statement of: _____

Name of the owner on 1st April 2014

Assets	Amount in Rupees					
	-					
Cash -savings accounts	-					
Certificates of deposit	-					
Securities -stocks / bonds / mutual funds	-					
Life insurance (cash surrender value)	-					
Personal property (autos,jewelry, etc.)	-					
Real estate (market value)	-					
Other assets (specify)	-					
Other assets (specify)	-					
Total Assets	-					
Liabilities	Amount in Rupees					
Current Debt	-					
Amount Payable	-					
Taxes payable	-					
Real estate mortgages (describe)	-					
Other liabilities (specify)	-					
Other liabilities (specify)	-					
Total Liabilities	-					
Net Worth	-					
Signature:	Date:					

Details

1. ASSETS -Details						
From Whom Owing	Balance Owing	Original Amount	Original Date	Monthly Payment	Maturity Date	History / Purpose

Securities: stocks / bonds / mutual funds

Name of Security	Number of Shares	Cost (Rs.)	Market Value	Date of Acquisition

Stock in Privately Held Companies

Company Name	No. of shares	\$ Invested (Rs.)	Est. Market Value

Real Estate

Description / Location	Market Value	Amount Owning	Original Cost (Rs.)	Purchase Date

2. LIABILITIES - Details

Credit Card & Debt

Name of Card / Creditor	Amount Due (Rs.)

Amount Payable (excluding monthly bills)

Name of Creditor	Amount Owning	Original Amount	Monthly Payment	Interest Rate	Secured by

Mortgage / Real Estate Loans Payable

Name of Creditor	Amount Owning	Original Amount	Monthly Payment	Interest Rate	Secured by

XYZ ENTERPRISE

Sources of capital & Startup Expenses

Sources of Capital	
Owners' Investment (name and percent ownership)	
Your name and percent ownership	
Other investor	
Other investor	
Total Investment	

Bank Loans	
Bank 1	
Bank 2	
Total Bank Loans	
Other Loans	
Source 1	
Source 2	
Total Other Loans	

Startup Expenses	
Buildings/Real Estate	
Purchase	
Construction	
Remodeling	
Other	
Total Buildings/Real Estate	

Leasehold Improvements	
Item 1	
Item 2	
Total Leasehold Improvements	

Capital Equipment List	
Furniture	
Equipment	
Fixtures	
Machinery	
Other	
Total Capital Equipment	

Location and Admin Expenses	
Rental	
Utility deposits	
Legal and accounting fees	
Prepaid insurance	
Pre-opening salaries	
Other Exprses	
Total Location and Admin Expenses	

Opening Inventory	
Category 1	
Category 2	
Category 3	
Total Inventory	
Advertising and Promotional Expenses	
Advertising	
Signage	
Printing	
Travel/entertainment	
Other/additional categories	
Total Advertising/Promotional Expenses	
Other Expenses	
Other expense 1	
Other expense 2	
Total Other Expenses	
Reserve for Contingencies	
Working Capital	
Summary Statement	
Sources of Capital	
Owners' and other investments	
Bank loans	
Other loans	
Total Source of Funds	
Startup Expenses	
Buildings/real estate	
Leasehold improvements	
Capital equipment	
Location/administration expenses	
Opening inventory	
Advertising/promotional expenses	
Other expenses	
Contingency fund	
Working capital	
Total Startup Expenses	
Security and Collateral for Loan Proposal	
Collateral for Loans	
Real estate	
Other collateral	
Other collateral	
Owners	
Your name here	
Other owner	
Other owner	
Loan Guarantors (other than owners)	
Loan guarantor 1	
Loan guarantor 2	

XYZ ENTERPRISE

Profit and Loss Projection (3 Years)

Amount in Rs.

	2013	2014	2015	%
				%
Sales				100 %
Cost/ Goods Sold (COGS)				
Gross Profit				
Operating Expenses				
Salary (Office & Overhead)				
Payroll (taxes etc.)				
Outside Services				
Supplies (off and operation)				
Repairs/ Maintenance				
Advertising				
Car, Delivery and Travel				
Accounting and Legal				
Rent				
Telephone				
Utilities				
Insurance				
Taxes (real estate etc.)				
Interest				
Depreciation				
Other expense (specify)				
Other expense (specify)				
Total Expenses				
Net Profit Before Tax				
Income Taxes				
Net Profit After Tax				
Owner Draw/ Dividends				
Adj. to Retained Earnings				

XYZ ENTERPRISE

Cash Flow (12 months)

	Pre-Start-up	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total Item
Cash on Hand(beginning of the month)		0	0	0	0	0	0	0	0	0	0	0	0	0
CASH RECEIPTS														
Cash Sales														
Collections fm CR accounts														
Loan/ other cash inj.														
TOTAL CASH RECEIPTS		0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash Available (before cash out)		0	0	0	0	0	0	0	0	0	0	0	0	0
CASH PAID OUT														
Purchases (merchandise)														
Purchases (specify)														
Purchases (specify)														
Gross wages														
Payroll exp														
Outside services														
Supplies (office & oper.)														
Repairs & maintenance														
Advertising														
Car, delivery & travel														
Accounting & legal														
Rent														
Telephone														
Utilities														
Insurance														
Taxes (real estate, etc.)														
Interest														
Other expenses (specify)														
Other (specify)														
Other (specify)														
Miscellaneous														
SUBTOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan principal payment														
Capital purchase (specify)														
Other startup costs														

XYZ ENTERPRISE

Opening Day Balance Sheet

Assets	
<u>Current Assets</u>	
Cash in Bank	-
Inventory	-
Prepaid Expenses	-
Other	-
Total Current Assets	-
<u>Fixed Assets</u>	
Machinery & Equipment	-
Furniture & Fixtures	-
Leasehold Improvements	-
Real Estate / Buildings	-
Other	-
Total Fixed Assets	-
<u>Other Assets</u>	
Specify	-
Specify	-
Total Other Assets	-
Total Assets	-
Liabilities & Net Worth	
<u>Current Liabilities</u>	
Accounts Payable	-
Taxes Payable	-
Current Portion Long-term Debt	-
Other current liabilities (specify)	-
Total Current Liabilities	-
<u>Long-term Liabilities</u>	
Bank Loans Payable	-
Payable to Stockholders	-
Other long-term debt (specify)	-
Total Long-term Liabilities	-
Total Liabilities	-
Owners' Equity (Net Worth)	-
Total Liabilities & Net Worth	-

XYZ ENTERPRISE

Balance Sheet (Projected)

Amount in Rs.

	Beginning as of	Projected as of
Assets		
Current Assets		
Cash in bank	-	-
Accounts receivable	-	-
Inventory	-	-
Prepaid expenses	-	-
Other current assets	-	-
Total Current Assets	-	-
Fixed Assets		
Machinery & equipment	-	-
Furniture & fixtures	-	-
Leasehold improvements	-	-
Land & buildings	-	-
Other fixed assets	-	-
(LESS accumulated depreciation on fixed assets)	-	-
Total Fixed Assets (net of depreciation)	-	-
Other Assets		
Intangibles	-	-
Deposits	-	-
Goodwill	-	-
Other	-	-
Total Other Assets	-	-
TOTAL Assets	-	-
Liabilities and Equity		
Current Liabilities		
Accounts payable	-	-
Interest payable	-	-
Taxes payable	-	-
Short-term (due within 12 months) Debts	-	-
Other current liabilities	-	-
Total Current Liabilities	-	-
Long term Debt		
Bank loans payable	-	-
Payable to stockholders	-	-
Other long term debt	-	-
Total Long-term Debt	-	-
Total Liabilities	-	-
Owners' Equity		
Invested capital	-	-
Retained earnings -beginning	-	-
Retained earnings -current	-	-
Total Owners' Equity	-	-
Total Liabilities & Equity	-	-

XYZ ENTERPRISE

Breakeven Analysis

Cost Description	Fixed Costs	Variable Costs (%)
Variable Costs	(Amt. in Rs.)	
Cost of Goods Sold		0%
Inventory		0%
Raw Materials		0%
Direct Labor		0%
Fixed Costs		
Salaries (includes payroll taxes)	-	
Supplies	-	
Repairs & maintenance	-	
Advertising	-	
Car, delivery and travel	-	
Accounting and legal	-	
Rent	-	
Telephone	-	
Utilities	-	
Insurance	-	
Taxes (Real estate, etc.)	-	
Interest	-	
Depreciation	-	
Other (specify)	-	
Other (specify)	-	
Miscellaneous expenses	-	
Principal portion of debt payment	-	
Owner's drawings	-	
Total Fixed Costs	-	
Total Variable Costs		0%
Breakeven Sales level =		0%

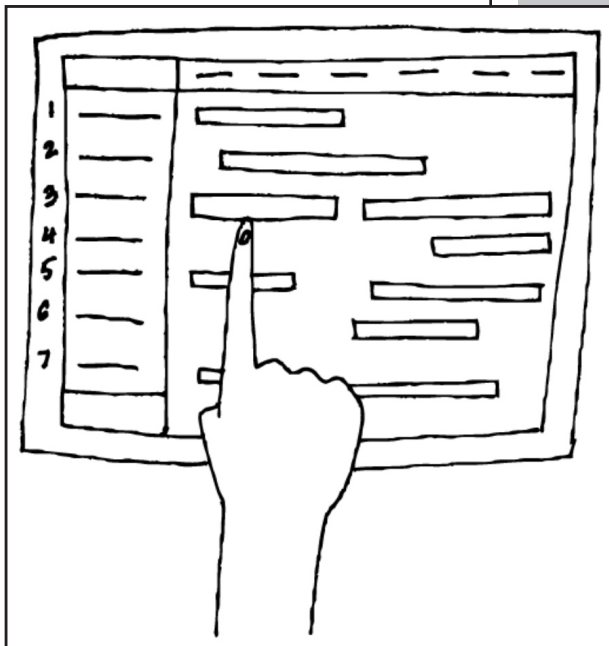
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Sales Forecast (12 Months)& Sales history

														Amount in Rs.			
	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Annual Total	Current Year	2012	2011	2010
Cat 1 units sold													0				
Sale price @ unit																	
Cat 1 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 2 units sold													0				
Sale price @ unit																	
Cat 2 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 3 units sold													0				
Sale price @ unit																	
Cat 3 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 4 units sold													0				
Sale price @ unit																	
Cat 4 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 5 units sold													0				
Sale price @ unit																	
Cat 5 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 6 units sold													0				
Sale price @ unit																	
Cat 6 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cat 7 units sold													0				
Sale price @ unit																	
Cat 7 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Monthly totals: All Categories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

XYZ ENTERPRISE
Profit and Loss Projection (12 Months)

	Apr-13	%	May-13	%	Jun-13	%	Jul-13	%	Aug-13	%	Sep-13	%	Oct-13	%	Nov-13	%	Dec-13	%	Jan-14	%	Feb-14	%	Mar-14	%	YEARLY	%
Revenue (Sales)																									0	
Category 1																									0	
Category 2																									0	
Total Revenue (Sales)	0		0		0		0		0		0		0		0		0		0		0		0		0	0
Cost of Sales																									0	
Category 1																									0	
Category 2																									0	
Total Cost of Sales	0		0		0		0		0		0		0		0		0		0		0		0		0	0
Gross Profit	0		0		0		0		0		0		0		0		0		0		0		0		0	0
Expenses																									0	
Salary expenses																									0	
Payroll expenses																									0	
Outside services																									0	
Supplies (office and operating)																									0	
Repairs & main																									0	
Advertising																									0	
Travel																									0	
Legal																									0	
Rent																									0	
Telephone																									0	
Utilities																									0	
Insurance																									0	
Taxes																									0	
Interest																									0	
Depreciation																									0	
Other expenses 1																									0	
Other expenses 2																									0	
Other expense 3																									0	
Misc. exps																									0	
Total Expenses	0		0		0		0		0		0		0		0		0		0		0		0		0	0
Net Profit	0		0		0		0		0		0		0		0		0		0		0		0		0	0



VENTURE PLANNING AND SCHEDULING

VENTURE PLANNING AND SCHEDULING

A. Introduction

B. Phases In Venture Management

C. Venture Planning

D. Venture Scheduling

E. Scheduling Tools

I GANTT Chart

II Program Evaluation & Review Technique (PERT) Chart

III Critical Path Method (CPM)

A. Introduction

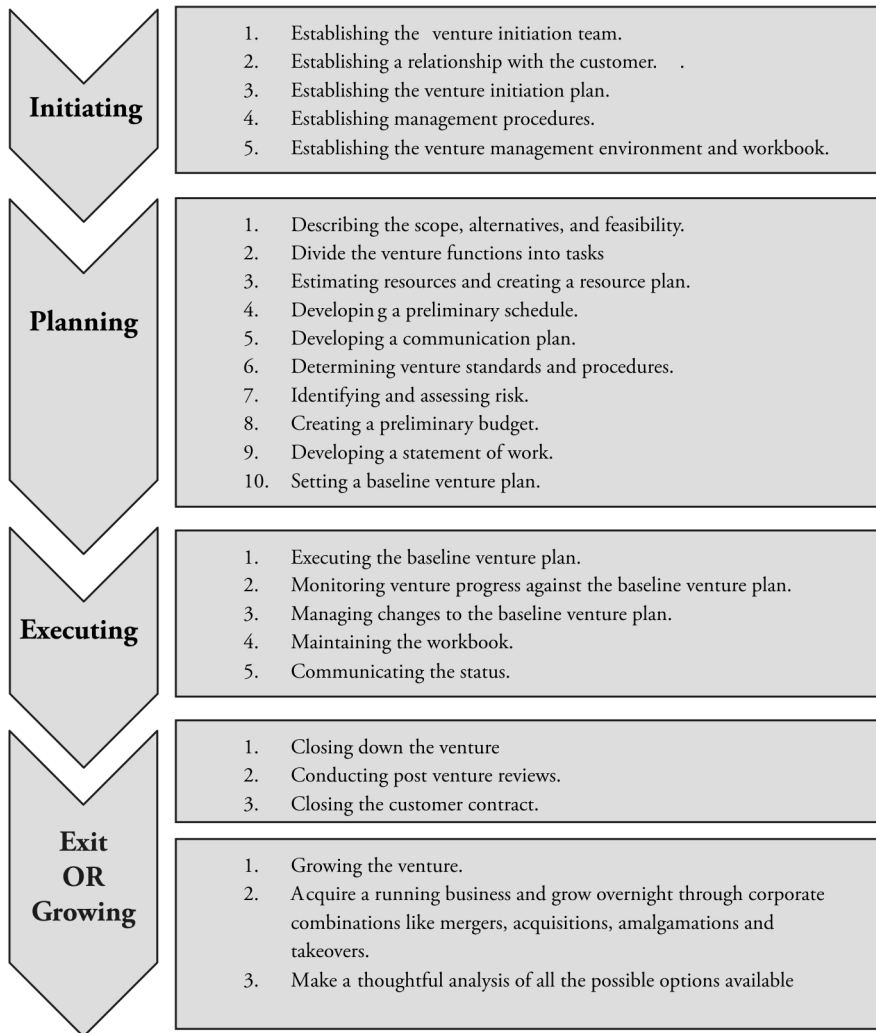
Nearly every activity including the START UP in business is considered as a contributor for ventures unique characteristics. A venture is defined as a planned undertaking of activities to reach an objective that has a beginning and an end. Six primary characteristics of a venture include:

1. **Objective:** To have a specific goal to reach.
2. **Schedule:** Point in time in which they must be accomplished.
3. **Complexity:** Technology is available to achieve the objectives
4. **Size and Nature of Task:** Step-by-step plan of action.
5. **Resources:** Personnel, equipment, materials, facilities, etc.
6. **Information and Control Systems:** These must be structured to handle problems through the authority (Entrepreneur himself)

B. Phases In Venture Management

The venture management process typically includes four key phases:

1. **Initiating the venture**
2. **Planning the venture**
3. **Executing the venture and**
4. **Exit or Growing**



An outline of each phase is provided below.

1. Initiating the Venture -The venture management techniques related to the venture initiation phase include:

- i. *Establishing the venture initiation team.* This involves organizing team members to assist in carrying out the venture initiation activities.
- ii. *Establishing a relationship with the customer.* The understanding of your customer's organization will foster a stronger relationship between the two of you.
- iii. *Establishing the venture initiation plan.* Defines the activities required to organize the team while working to define the goals and scope of the venture.

- iv. *Establishing management procedures.* Concerned with developing team communication and reporting procedures, job assignments and roles, venture change procedure, and how venture funding and billing will be handled.
 - v. *Establishing the venture management environment and workbook.* Focuses on the monetary collection and organization of the tools that you will use while managing the venture.
2. **Planning the Venture** -The venture management techniques related to the venture planning phase include:
- i. *Describing the scope, alternatives, and feasibility.* The understanding of the content and complexity of the venture. Some relevant questions that should be answered include:
 - a. What problem/opportunity does the venture address?
 - b. What results are to be achieved?
 - c. What needs to be done?
 - d. How will success be measured?
 - e. How will you know when you are finished?
 - ii. *Divide the venture functions into tasks.* This technique is also known as the work breakdown structure. This step is done to ensure an easy progression between tasks.
 - iii. *Estimating resources and creating a resource plan.* This helps to gather and arrange resources in the most effective manner.
 - iv. *Developing a preliminary schedule.* In this step, you have to assign time estimates to each activity in the work breakdown structure. From here, you will be able to create the target start and end dates for the venture.
 - v. *Developing a communication plan.* The idea here is to outline the communication procedures between management, team members, and the customer.
 - vi. *Determining venture standards and procedures.* The specification of how various deliverables are produced and tested by the venture team.
 - vii. *Identifying and assessing risk.* The objective here is to identify potential sources of risk and the consequences of those risks.
 - viii. *Creating a preliminary budget.* The budget should summarize the planned expenses and revenues related to the venture.
 - ix. *Developing a statement of work.* This document will list the work to be done and the expected outcome of the venture.
 - x. *Setting a baseline venture plan.* This should provide an estimate of the venture's tasks and resource requirements.
3. **Executing the Venture** -The venture management techniques related to the venture execution phase include:
- i. *Executing the baseline venture plan.* The job of the entrepreneur is to initiate the

- execution of venture activities, acquire and assign resources, orient and train new team members, keep the venture on schedule, and assure the quality of venture deliverables.
- ii. *Monitoring venture progress against the baseline venture plan.* Using Gantt and PERT charts, which will be discussed in detail further and these can assist the venture manager in doing this.
 - iii. *Managing changes to the baseline venture plan.*
 - iv. *Maintaining the workbook.* Maintaining complete records of all venture events is necessary. The workbook is the primary source of information for producing all reports.
 - v. *Communicating the status.* This means that the entire venture plan should be shared with the entire venture team and any revisions to the plan should be communicated to all concerned parties so that everyone understands how the plan is evolving.
4. a) **EXIT strategy OR Closing Down the Venture** -The venture management techniques related to the venture closedown phase include:
- i. *Closing down the venture.* At this stage, it is important to notify all parties having stakes closing of the venture. Also, all venture documentation and records should be finalized so that the concluding review of the venture can be conducted.
 - ii. *Conducting post venture reviews.* This is done to determine the strengths and weaknesses of venture deliverables, the processes used to create them, and the venture management process.
 - iii. *Closing the customer contract.* The final activity is to ensure that all contractual terms of the venture have been fulfilled.
- b) **Growing the Venture** -The venture management techniques related to the growth of the venture include:
- i. *Growing the venture.* In this stage, it is essential to sustain its viability, dynamism and value enhancing capabilities. It should reflect the ability of a venture to earn higher profits and compete with the rivals in an effective manner.
 - ii. *For growing the business, acquire a running business and grow steadily through corporate combinations like mergers, acquisitions, amalgamations and takeovers.* Determine the strengths and weaknesses of venture deliverables of all organizations & review them.
 - iii. *An entrepreneur* must make a thoughtful analysis of all the possible options available to him for expanding his business by taking into account the inherent risks, the financial requirements and the surrounding regulatory framework.

The techniques listed above in the four key phases of venture management enable a venture team to:

- Link goals and objectives to stakeholder plans.
- Focus on customer needs.
- Build high-performance venture teams.
- Work across functional boundaries.
- Develop work breakdown structures.
- Estimate venture costs and schedules.
- Meet time constraints.
- Calculate risks.
- Establish a dependable venture control and monitoring system.

C. Venture Planning

Venture planning defines the venture activities and describes how the activities will be accomplished. The purpose of venture planning is to define each task, estimate the time and resources required, and provide a framework for management review and control. The venture planning activities and goals include:

- The specific work to be performed and goals that outline the venture
- Estimates to be documented for planning, tracking, and controlling the venture
- Commitments that are planned, and agreed to by stakeholders
- Venture alternatives, assumptions, constraints and risks.

The planning process includes steps to estimate the size of the venture, to estimate the resources required to complete the venture, to produce a schedule, to identify and assess risks, and to firm up as per commitments.

Repetition of these steps is necessary to establish the venture plan. Typically, several iterations of the planning process are performed before a plan is completed.

The Planning Process

The planning process includes a group of related methods and techniques that provide the basis of defining a detailed list of activities that are to be completed, and how the work will get done, by whom, when, and for how much. 5 Ws & 1 H of the venture plan provides the specifics of:

- **WHAT** (Objective, scope, and statement of work)
- **WHAT-IF** (Contingency Plans)
- **HOW** (Development approach, work breakdown structures, processes and procedures)
- **WHO** (Venture organization and resource schedule)
- **WHEN** (Schedule and milestones)
- **WHERE** (Facilities required)

Steps in the Planning Process

The planning process consists of the following basic tasks:

1. Define the gap, need or root cause of the problem, the objectives and the success factors.
2. Define the approach used to solve the problem.
3. Define and sequence the tasks to be performed. Identify all deliverables associated with the venture.
4. Define the dependency relations between tasks.
5. Estimate the resources required to perform each task.
6. Schedule all tasks to be performed.
7. Define a budget for performing the tasks.
8. Identify the known risks and suggested approaches to prevent or mitigate.
9. Define the process used for assuring quality.
10. Define the process used for configuration management and venture requirements.

Planning Vs Scheduling

- | | |
|-------------------------|--------------------------------------|
| • What to make | • How best to make it - execute plan |
| • When to make it | • Sequencing |
| • How much to make | • Priorities Constraints & Conflicts |
| • Where to make it | • Monitoring execution |
| • Materials & Resources | • Managing Change |

D. Venture Scheduling

The venture schedule provides a graphical representation of predictable tasks, milestones. Without a plan, venture success will be difficult.

Overview of Venture Scheduling

The activities are associated with time to create a venture schedule. The venture schedule provides a graphical representation of predictable tasks, milestones, dependencies, resource requirements, task duration, and deadlines. The venture's master schedule interrelates all tasks on a committed time scale. The venture schedule should be detailed enough to show each task to be performed, the name of the person responsible for completing the task, the start and end date of each task, and the expected duration of the total plan of tasks.

Like the development of each of the venture plan components, developing a schedule is a planned process. Milestones may suggest additional tasks, tasks may require additional resources, and task completion may be measured by defined milestones. Actual progress is regularly compared with the original schedule. This allows for evaluation of development activities.

Schedules help to do the following:

- A basis for you to monitor and control venture activities.
- To determine how best to allocate resources so you can achieve the venture goals.
- To assess how time delays will impact the venture.
- To figure out where excess resources are available to allocate to other ventures.
- A method to help you track the venture's progress.

Schedule Inputs

You need several types of inputs to create a venture schedule:

1. **Personal and working calendars** – Understanding working days, shifts, and resource availability is critical to completing a venture on schedule.
2. **Description of scope** – From this, you can determine key start and end dates, major premise behind the plan, and key constraints and limitations. You can also include stakeholder expectations, which will often determine venture milestones.
3. **Venture risks** – You need to understand these to make sure there's enough extra time to deal with unforeseen and identified risks – and with unidentified risks (risks are identified by thorough Risk Analysis).
4. **Lists of activities and resource requirements** – Again, it's important to determine if there are other constraints to consider when developing the schedule. Understanding the resource capabilities and experience you have gathered – as well as holidays and staff vacations – which could affect the schedule.

An entrepreneur should be aware of deadlines and resource availability issues that might make the schedule less flexible.

E. Scheduling Tools

Here are some tools and techniques for combining these inputs to develop the schedule:

- **Schedule Network Analysis** – This is a graphic representation of the activities of the venture, the time it takes to complete them, and the sequence in which they must be done. Venture management software is typically used to create these analyses – **Gantt charts and PERT Charts** are standard formats.
- **Critical Path Analysis** – This is the process of looking at all of the activities that must be completed, and calculating the 'best line' – or critical path – to take so that you'll complete the venture in the minimum amount of time. This method helps to calculate the earliest and latest possible start and finish timings for venture activities, and it estimates the dependencies among them to create a schedule of critical activities and their dates.

- **Schedule Compression** – This tool helps shorten the total duration of a venture by decreasing the time allotted for certain activities. It's done so that you can meet time constraints, and still keep the original scope of the venture. You can use two methods here:
- **Crashing** – This is where you assign more resources to an activity, thus decreasing the time it takes to complete it. This is based on the assumption that the time you save will offset the added resource costs.
- **Fast-Tracking** – This involves rearranging activities to allow more parallel activities. This means that things you would normally do one after another are now done simultaneously. However, do bear in mind that this approach increases the risk that you could miss things, or fail to address challenges.

I GANTT chart

In the late 1800s, Polish engineer Karol Adamiecki developed a visual work flow chart that he called a “harmonogram.”

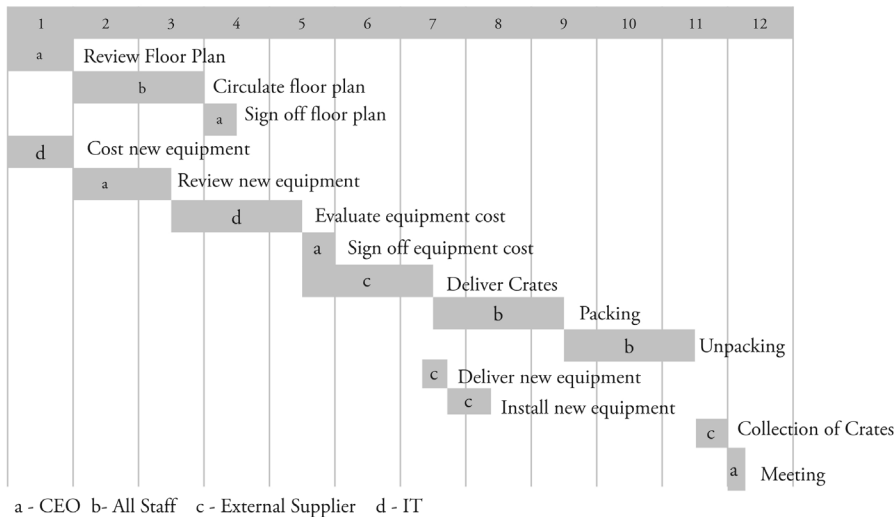
In around 1910, Henry Gantt, a management consultant and engineer, took Adamiecki's concept to the next stage. His chart was designed to help manufacturing supervisors see whether their work was on, ahead of, or behind schedule, and it formed the foundation of the tool we use today.

Why use GANTT Chart?

- When you set up a Gantt chart, you need to think through all of the tasks involved in your venture project. As part of this process, you'll work out **who will be responsible for each task, how long each task will take, and what problems your team may encounter.**
- This detailed thinking helps you to ensure that the schedule is workable, that **the right people are assigned to each task**, and that you have work arounds for potential problems before you start.
- Gantt chart also helps to work out **practical aspects** of a venture, such as the minimum time it will take to deliver, and which tasks need to be completed before others can start. Plus, you can use them to identify the critical path – the sequence of tasks that must individually be completed on time if the whole venture is to deliver on time.
- Finally, you can use Gantt chart to keep your team and your sponsors **informed of progress.** Simply update the chart to show schedule changes and their implications, or use it to communicate that key tasks have been completed.

Creating a GANTT Chart

Office Move : By Week



Identify Task Relationships

GANTT chart shows the relationship between the tasks in a venture project. Some tasks will need to be completed before you can start the next one, and others can't end until preceding ones have ended. For example, if you're creating a brochure, you need to finish the design before you can send it to print.

These dependent activities are called “**sequential**” or “linear” tasks. Other tasks will be “**parallel**” – i.e. they can be done at the same time as other tasks.

You don't have to do these in sequence, but you may sometimes need other tasks to be finished first. So, for example, the design of your brochure could begin before the text has been edited (although you won't be able to finalize the design until the text is perfect.)

Identify which of your venture's tasks are parallel, and which are sequential. Where tasks are dependent on others, and note down the relationship between them. This will give you a deeper understanding of how to organize your venture, and it will help when you start scheduling activities on the GANTT chart.

In GANTT charts, there are three main relationships between sequential tasks:

- **Finish to Start (FS)** – FS tasks can't start before a previous (and related) task is finished.
- **Start to Start (SS)** – SS tasks can't start until a preceding task starts.
- **Finish to Finish (FF)** – FF tasks can't end before a preceding task ends.
- A fourth type, **Start to Finish (SF)**, is very rare.

Benefits of GANTT Chart

- 1 Useful for planning and scheduling ventures.
- 2 Help to assess the time taken to start venture, determine the resources needed, and plan the order in which you'll complete tasks. They're also helpful for managing the dependencies between tasks.
- 3 Useful for monitoring a venture's progress. You can immediately see what should have been achieved by a certain date and, if it is behind schedule, you can take action to bring it back on course.
- 4 Clearly defining the task priorities helps to resolve any scheduling and/or resource conflicts. Understanding the priorities and relationships of the tasks assists in resolving difficult scheduling conflicts.

II Program Evaluation and Review Technique (PERT) Chart

A PERT (Program Evaluation and Review Technique) chart is a graphic representation of a venture's schedule, showing the sequence of tasks, which tasks can be performed simultaneously, and the critical path of tasks that must be completed on time in order for the venture to meet its completion deadline. The chart can be constructed with a variety of attributes, such as earliest and latest start dates for each task, earliest and latest finish dates for each task, and slack time between tasks. A PERT chart can document an entire venture project or a key phase of a project. The chart allows a team to avoid unrealistic timetables and schedule expectations, to help identify and shorten tasks that are bottlenecks, and to focus attention on most critical tasks.

When to use PERT

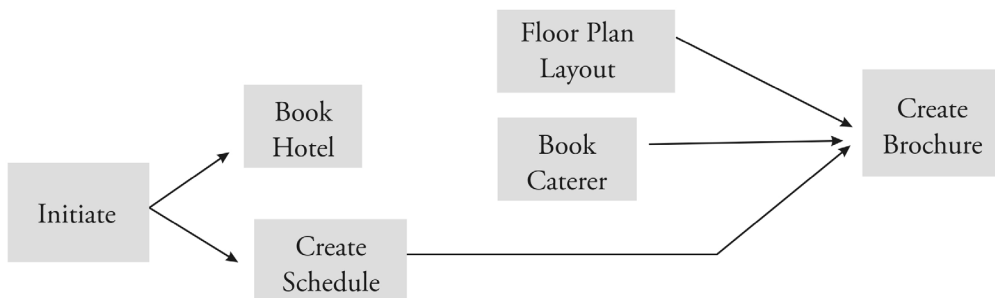
Because it is primarily a Project management tool, a PERT chart is most useful for planning and tracking entire project or for scheduling and tracking the implementation phase of a planning or improvement effort.

How to use PERT

- 1 **Identify all tasks or components.** Make sure the team includes people with firsthand knowledge of the venture so that during the brainstorming session all component tasks needed to complete the venture are captured. Document the tasks on small 'POST ITs'
- 2 **Identify the first task that must be completed.** Place the appropriate 'POST IT' at the extreme left of the working surface. Identify any other tasks that can be started simultaneously with task #1. Align these tasks either above or below task #1 on the working surface.
- 3 **Identify the next task that must be completed.** Select a task that must wait to begin until task #1 (or a task that starts simultaneously with task #1) is completed. Place the appropriate 'POST IT' to the right of the 'POST IT' showing the preceding task.
- 4 **Identify any other tasks that can be started simultaneously with task #2.** Align these tasks either above or below task #2 on the working surface.

- 5 **Continue this process until all component tasks are sequenced.**
- 6 **Identify task durations.** Using the knowledge of team members, reach a consensus on the most likely amount of time each task will require for completion. Duration of time is usually considered to be required time for the task, rather than actual number of hours/days spent doing the work. Document this duration time on the appropriate task 'POST ITs'
- 7 **Construct the PERT chart.** Number each task, draw connecting arrows, and add task characteristics such as duration, the anticipated start date, and the anticipated end date.
- 8 **Determine the critical path.** The venture's critical path includes those tasks that must be started or completed on time to avoid delays to the total venture project.

Sample PERT Chart & task dependency



For instance, the caterer could be booked before the hotel is booked, but we can't create a floor plan without knowing which hotel we're going to be in because we don't know the size or layout of the available convention area.

Steps in PERT

1. Development of venture network
2. Time estimation
3. Determination of critical path, even slacks, and activity flows.
4. Development of venture schedule
5. Calculation of variability duration and the probability of completion in a given time span.

PERT deals with the problem of uncertain activity time by the application of statistical analysis to the determination of estimated time for each activity of the venture. This technique, as a tool, defines and coordinates which must be done to successfully accomplish the objectives of a venture project on time. It helps the decision-maker but does not make decisions for him.

In PERT, time is the basic measure. It is usually expressed to calendar weeks. The venture should be completed within the stipulated optimistic time.

In order to arrive at the most reliable estimate of time, three time estimates are usually employed under this technique as given below:

- i **The optimistic time :** It is the shortest time possible if everything goes perfectly well with no complications, the chance of such optimum actually occurring might be one in a hundred.
- ii **The pessimistic time:** It is the longest time conceivable; it includes time for unusual delays and thus the chance of its happening might be only one in a hundred.
- iii **The most likely time:** It would be the best estimate of what normally would occur.

The differences in these three timings give an estimate of the relative uncertainty involved in the activity.

Advantages of PERT

1. This technique gives the management the ability to plan the best possible use of resources to achieve a given goal within the overall time and cost limitations.
2. It helps management to handle the uncertainties involved in the programmes.
3. It leads for the right action, at the right point, and at that right time in the organization.

Limitations of PERT

1. The basic difficulty comes in the way of time estimates for the completion of activities because activities are of non-repetitive type.
2. This technique does not consider resources required at various stages of the venture.
3. Use of this technique for active control of a project requires frequent updating and revising the PERT calculations and this becomes quite a tedious affair.

III Critical Path Method (CPM)

CPM is a mathematically based algorithm for scheduling a set of project activities. Simple definition of CPM - How long is this process going to take?

Next to PERT, the CPM for planning and controlling ventures has enjoyed the widest use among all the systems that follow the networking principles.

Critical Path Method (CPM) originated at E.I. DuPont Nemours & Co U.S.A. in 1950s. It used to manage chemical plant maintenance projects. It resulted in reducing the shutdown period from 130 hours to 90 hours.

CPM has two time and cost estimates for each activity

- Time-cost estimate for the normal situation and
- Estimate for the crash situation

CPM facts

- Critical path is the sequence of events which determines the duration of the project
 - Delays in tasks on the CP delay the entire project
- CP must be carefully managed to stay on schedule
- To finish project earlier, tasks on CP must be critically shortened

CPM process - The essential technique for using CPM is to construct a model of the project that includes the following:

- Identify activities
- Identify sequence and dependencies
- Draw network diagram of activities
- Estimate duration of activities
- Identify the longest path in the network (critical path)
- Monitor & update as project progresses
 - Delays in tasks not charted on CP may change the CP!

In order to manage the venture, the critical path is considered and it remains important throughout the implementation of the plan.

- The critical path is the longest path through a venture.
- It determines the earliest possible completion of the work.

This process determines which activities are “critical” (i.e., on the longest path) and which have “total float” (i.e., can be delayed without making the project longer).

Now we'll try to illustrate the concept with an example. Let's take a simple, real-life project: hanging a picture on the wall. What should you do to complete this mini-project successfully? First, we need to define and list all the tasks that have to be done, so that the whole project is completed.

- Choose a place on the wall
- Buy the screws
- Choose the picture
- Drill a hole

- Install the screws
- Hang the picture

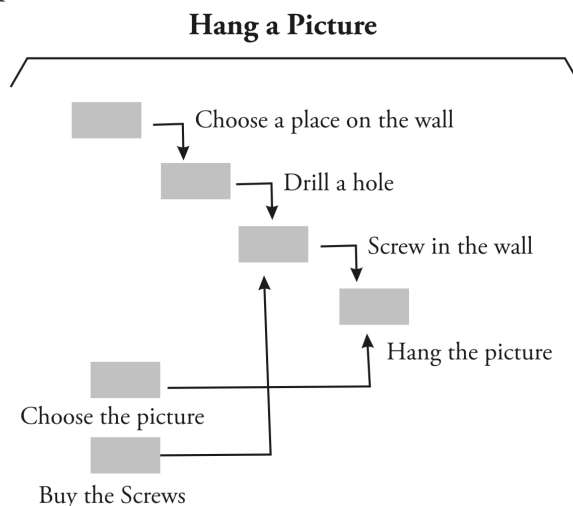
When we think of these tasks, we realize that some of these cannot start before the others are finished. That is, some tasks are dependent on the others.

Task Name	Dependent on
Choose a place on the wall	-
Buy the screws	-
Choose the picture	-
Drill a hole	Choosing a place on the wall
Fixing Screws in the wall	Buying the screws and drilling a hole
Hang the picture	Screwing in the screws and choosing the picture

The actions “drill a hole,” “fix screws in the wall” and “hang the picture” form a sequence of tasks that must be performed in a specific order, one right after the other, to ensure a successful result. Such tasks are called “sequential” activities.

So these three tasks, together with the start of our project (“choosing a place on the wall”) in our example, are the most important critical steps that must be taken to arrive at the proper solution to our problem. These actions will be placed on your critical path for this project. So the essential concept behind Critical Path Analysis is that you cannot start some activities until the others are finished. These activities need to be completed in a sequence, with each stage being more-or-less completed before the next stage can begin.

Here’s what a sample schedule can look like:



- The critical path consists of the longest sequence of activities from project start to the end that should be started and completed exactly as scheduled to ensure the project is completed by a certain date in the future.
- The activities on the critical path must be very closely managed.
- If jobs on the critical path slip, immediate action should be taken to get the project back on schedule. Otherwise, completion of the whole project will be delayed.
- So the critical path is simply doing all the tasks that determine the end date in the project schedule.

There can be more than one critical path in one project, so that several paths run in parallel. For instance, in our case, “choose a picture” and “hang the picture,” as well as “buy the screws,” “Fix screws in the wall” and “hang the picture” form other task sequences which also are important for us to complete the project.

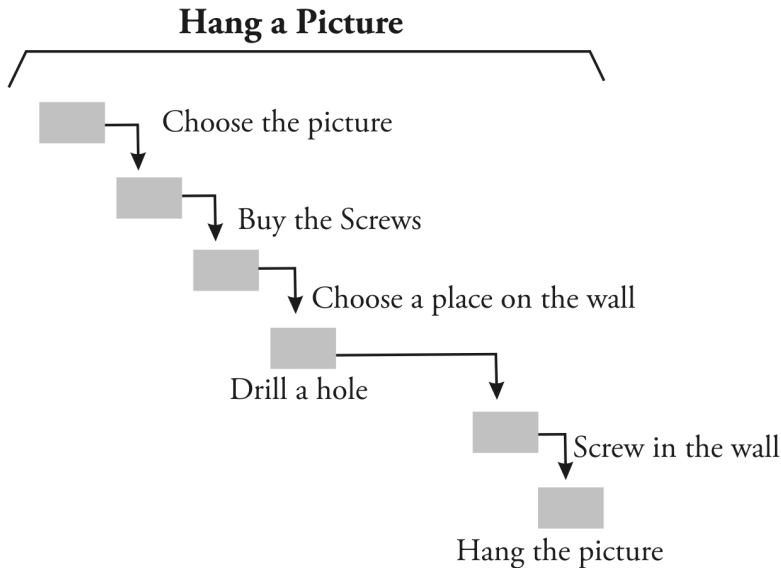
The critical path needs to contain all the important activities in the project. In fact, sometimes the activities on the critical path are not the most important parts of the project. At the same time, there will be tasks that are not on the critical path, but still determine the project’s success. Understanding the critical path involves determining which activities are critical to complete on time. But other activities, lying outside of critical path, also may be very important and require extra diligence and focus.

Resource constraints and its importance

Traditional critical-path-derived schedules are based only on causal (logical) dependencies. We’ve already marked these dependencies in our plan (e.g., it is impossible to drill a hole before you choose a place on the wall). However, a project can have resource limitations, which also should be taken into consideration. These limitations will create more dependencies. These dependencies are often called “resource constraints.”

So, if you work on a team, your project work can be shared between the team members. In our case, while you’re choosing a place on the wall and drilling a hole, one of your friends can go and buy some screws, and your spouse can choose the picture. The tasks can be done in parallel, like on our chart above.

However, if you’re the only person responsible for the project, you have a resource constraint (i.e., you cannot drill a hole and go shopping for screws simultaneously). In this case, your critical path will look different.



On the chart above, we assume that you first need to choose the picture, and later buy the screws. However, depending on the project conditions, these tasks can be performed in a different order.

Such a critical path is called a “resource critical” path. This method was proposed as an extension to the traditional CPA to allow for the inclusion of resources related to each activity. A resource-leveled schedule may include delays due to resource bottlenecks (i.e., unavailability of a resource at the required time), and it might cause a previously shorter path to become longer. This is what you see on our chart above.

Calculating the Length of Your Project

In project management, a critical path is the sequence of project activities that add up to the longest overall duration. This determines the shortest time possible to complete the project.

Getting back to our example, let’s assume that you have to do everything by yourself. For each activity, show the estimated length of time it will take. Also, you determine the approximate start time for each task on the critical path. Here’s how it can be done in our example.

Task	Duration	Start
Choose a picture	30 minutes	9 am
Buy the screws	30 minutes	9.30 am
Choose the place on the wall	5 minutes	10 am
Drill a hole	15 minutes	10.05 am
Fix Screws in the wall	5 minutes	10.20 am
Hang the picture	1 minute	10.25 am

Now, if we add up all the critical tasks' duration, we'll get the approximate time that will be needed for the whole project to be completed. In our case, 1 hour and 26 minutes. Add the duration to the start time, and you'll be able to calculate the earliest project completion time (10:26 am in our example).

'Crash Action'

You may find that you need to complete a venture earlier than your Critical Path Analysis says is possible. In this case you need to re-plan your venture.

Key Points

Critical Path Analysis is an effective and powerful method of assessing:

- Which tasks must be carried out.
- Where parallel activities can be performed.
- The shortest time in which you can complete a venture.
- Resources needed to execute a venture.
- The sequence of activities, scheduling and timings involved.
- Task priorities.
- The most efficient way of shortening time on urgent ventures.

An effective Critical Path Analysis can make the difference between success and failure on complex ventures. It can be very useful for assessing the importance of problems faced during the implementation of the plan.

Advantages of CPM

Besides being applicable to schedule large and small ventures it has some of the important advantages listed below:

- 1 It helps in ascertaining the time schedule.
- 2 With its' help, control by the management is made easy.
- 3 It makes, better and detailed planning possible.

- 4 It provides a standard method for communicating venture plans, schedules, time and cost performance.
- 5 It identifies the most critical elements and thus more attention can be paid to these activities.

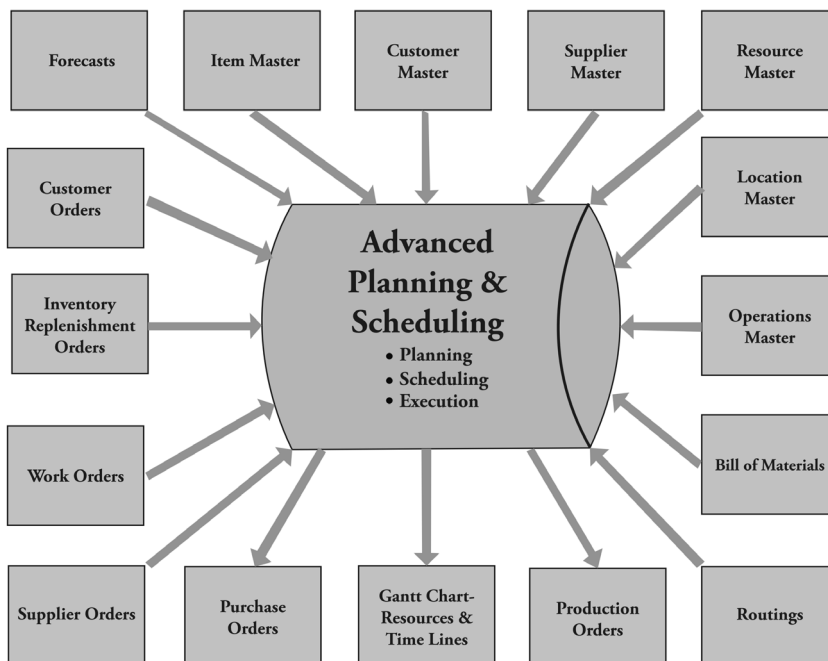
Limitations of CPM

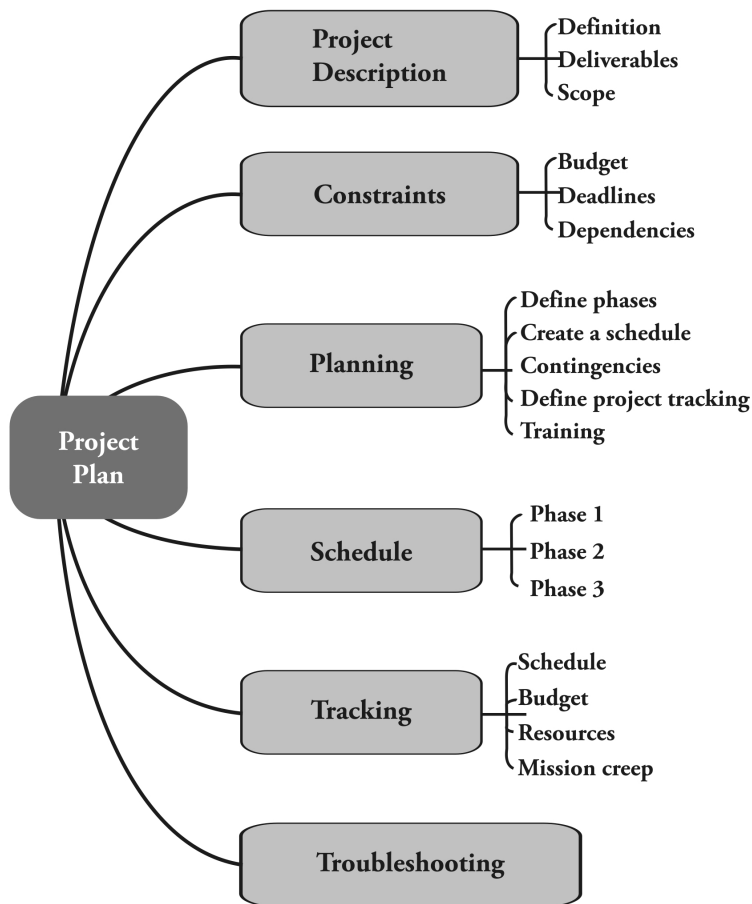
- 1 CPM fails to incorporate statistical analysis in determining the time estimates.
- 2 It operates on the assumption that there is a precise known time that each activity in the venture will take but this may not be true in actual life.
- 3 It is difficult to use CPM as a controlling device for the simple reason that one must repeat the entire evaluation of the venture each time when changes are introduced into the network. It may be remembered that CPM was initially developed as a static planning model and not as a dynamic controlling device.

Flexibility in the CPM

The critical path method was developed for complex, but fairly predictable, projects. However, in real life, we rarely get to manage such projects. A schedule generated using critical path techniques often is not followed precisely. As we already mentioned above, any delay of an activity on the critical path directly impacts the planned project's completion date. New requirements might pop up, and new resource constraints might emerge.

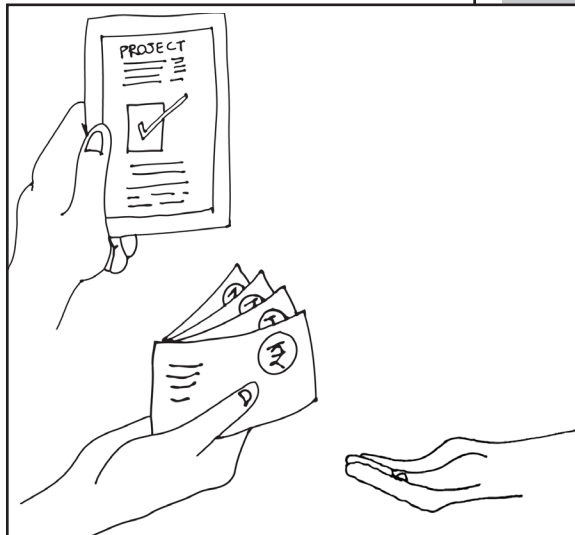
Planning, Scheduling & Execution





Questions

1. Which are the key phases of Venture management process
2. What is Venture Planning? Explain the steps in planning process.
3. Why GANTT Chart is used? What are the benefits?
4. What is PERT Chart? When & How this Project Management tool is used? What are its advantages and limitations?
5. What is Critical Path Method process? What are the advantages and limitations of CPM?



FUNDING OPTIONS FOR START UP VENTURES & PROJECT APPRAISAL

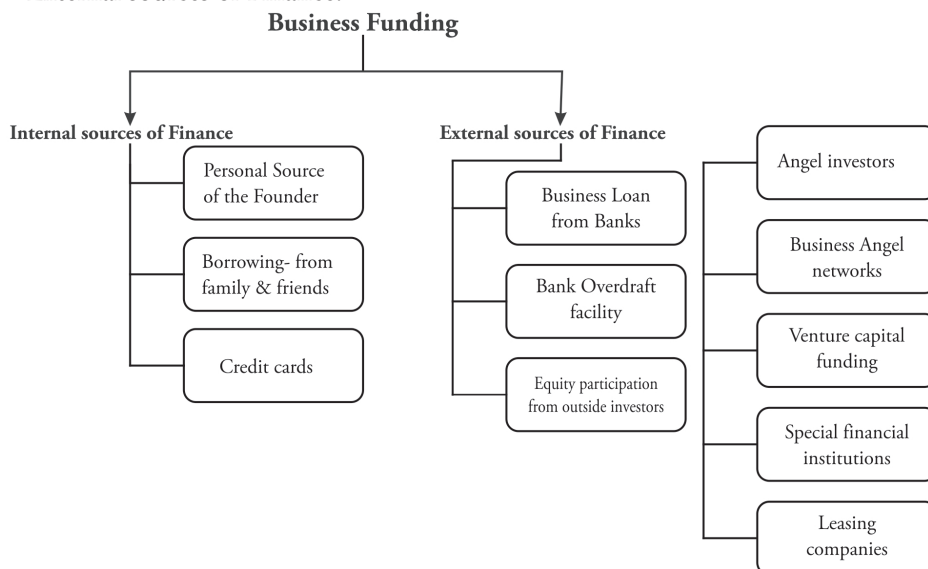
FUNDING OPTIONS FOR START UP VENTURES & PROJECT APPRAISAL

- A. Availability of Funding Options
- B. Venture Capital
- C. Venture Debt
- D. Angel Capital
- E. Difference Between Venture Capitalist & Angel Investor
- F. Project Appraisal by Financers for Sanctioning Loans
- G. Points to be Remembered while Presenting Case for Term Loan

A. Availability of Funding Options for Start-up Founders and Entrepreneurs

Business funding can be classified broadly into two types:

1. Internal sources of Finance
2. External sources of Finance.



Internal sources of Finance:

- i **Personal Source of the Founder-** This can be personal savings or other sources such as **Re-mortgaging**. It is the most popular way of raising loan-related capital for a start-up. The way this works is simple. The use of mortgaging like this provides access to relatively low-cost finance; however, it can be a risky proposition.

- ii **Borrowing funds from family and Friends**
- iii **Credit Cards-** In fact, the use of credit cards is the most common source of finance amongst small businesses. It works like this- Each month, the entrepreneur pays for various business-related expenses on a credit card. X days later the credit card statement is received and the due amount is paid by the business within the credit period. The effect is that the business gets access to a free credit period of around 30-45 days.

External Sources of Finance

- i **Business Loan from Banks-** Business loan is generally for a long period of time, with pre-determined fixed period over which the loan is provided, the rate of interest and the timing and amount of repayments. The bank will usually require that the start-up to offer some collateral security for the loan. This security normally comes in the form of personal guarantees provided by the entrepreneur. Bank loans are good for financing investment in fixed assets and are generally at a lower rate of interest. However, they don't provide much flexibility. Also, it's not easy to get business loans for startups. It's very interesting to note that you can get personal loan any day, but getting a business loan can be difficult.
- ii **Bank Overdraft Facility-** An overdraft facility is a form of short-term kind of finance, which is also widely used by start-ups and small businesses. An overdraft is a loan arrangement between the borrower and the bank whereby the bank extends the credit to a maximum amount against which the customer can issue cheques or make withdrawals. It refers to the amount of money borrowed that exceeds the deposits. An **overdraft** occurs when money is withdrawn from a bank account and the available balance goes below zero. If there is a prior agreement with the account provider for an overdraft, and the amount overdrawn is within the authorized overdraft limit, then interest is normally charged at the pre-agreed rate. If the negative balance exceeds the pre-agreed terms, then additional levies may be charged and higher interest rates may apply.
As a result, an overdraft is a flexible source of finance, in the sense that it is only used when needed. Bank overdrafts are excellent for helping a business to handle seasonal fluctuations in cash flow or when the business runs into short-term cash flow crunch.
- iii **Equity Participation From Outside investors** – This as a source of fund raising has become very popular and effective. The best thing about this, participation investors are also ready to take the risks of the business, however you have to share ownership and control of the business. They would take some high equity and would have an exit plan, which is incorporated in the Term Sheet. Though these can be negotiated but investors always want an upper edge. The control part is also justified, as they have to look at the risks, which are associated with it. Some of these are:

- a) **Angel Investors/ Seed Funds** – Seed money also known as seed funding or angel funding, is a form of equity offering in which an investor purchases part of a business. It's basically an early investment, meant to support the business until it can generate cash of its own, or until it is ready for further investments. Any kind of external investments from angels or venture capitalists also bring with them the experience, which helps the company to be guided along the way. One of the best seed funds in India is 'seed fund'. e.g. They have invested in companies like ONLINE BUS TICKET BOOKING & RESERVATION SERVICE.
- b) **Business Angel Networks:** You can find many business angles by simply searching for "find a business angel" on Google. Be aware that all will charge a fee upfront, with no guarantee of success. You may not like paying upfront and rather pay only if you find an investor, but that is how the industry works. To a certain extent it is fair enough, since they have no control on how good you or your opportunity may be, all they can do is make introductions. Nevertheless, some do charge large amounts, from several hundred to several thousands.
- c) **Venture capital funding or commonly known as VC funding** – It is a type of financing by private equity capitalist or private funds to early-stage high-potential, growth companies and comprises of various funding rounds/ stages. These are (i) The Start-up stage, (ii) The Second stage, (iii) The Third stage and (iv) The Bridge/Pre-public stage. The ultimate aim is to prepare the business to be sold-off attractively and have clear exit policy.
- d) **Special Financial Institutions-** These have been established in India for providing long-term financial assistance to industrial enterprises. There are many all-India institutions like **Industrial Finance Corporation of India (IFCI)**; Industrial Credit and Investment Corporation of India (ICICI); **Industrial Development Bank of India (IDBI)** and others.

At the State level, there are **State Financial Corporation** and **State Industrial Development Corporation**. These national and state level institutions are known as 'Development Banks'. Besides the development banks, there are several other institutions called as 'Investment Companies' or 'Investment Trusts' which subscribe to the shares and debentures offered to the public by companies.
- e) **Leasing Companies-** Manufacturing startups can secure long-term funds from leasing companies. For this purpose a lease agreement is made whereby the leasing company may purchase plant, machinery and fixed assets and allow these to be used by the manufacturing company for a specified period on payment of an annual rental. At the end of the period the manufacturing company may have the option of purchasing the asset at a depreciated price. The lease rent includes an element of interest besides expenses and profits of the leasing company. To conclude, there is no absolute rule that makes one way of fund raising better than the other. Its' selection should be purely a case specific based on factors such

as the vision of the founder, business rationale, funding requirement, ownership and management control and related factors.

B. Venture Capitalist & Angel Investor

‘Venture Capital’ is an important source of finance for those small and medium-sized firms, which have very few avenues for raising funds.

Venture capital is the investment of long-term equity finance where the venture capitalist earns his returns primarily in the form of capital gain. It is under the assumption that the entrepreneur and the venture capital would act as partners. It is a commitment of capital for the formation and setting up of small-scale enterprises specializing in new ideas or new technologies. Venture capital does not deal in financing the enterprise, which is engaged in trading, broking, investment or financial services, and agency or liaison work.

Features of Venture Capital

- 1 For New Entrant: Venture capital investment is generally made in new enterprises that use new technology to produce new products.
- 2 Continuous Involvement
- 3 Long Term capital
- 4 Hands on Approach: Take active part in providing value-added services such as providing business skills etc. They do not interfere in the management of the firm.
- 5 High Risk-Return Venture

Stages of Financing offered in Venture Capital

1. Seed Money
2. Start-up
3. First-Round to Fourth Round

How venture capitalist works

- They typically invest at an early stage of a start-up ; unlike angels, few are willing to support an idea at the concept stage. Venture capital firms have been known to help start-ups organize the next round of funding as well.
- Says Arvind Modi, associate vice-president (investments), Gujarat Venture Finance Ltd, which provides venture capital to technical start-ups: “We like ventures where the product or service is established and the start-up requires funding for commercialization or scaling up of operations.”
- However, many firms, such as Accel India Venture Fund, Sequoia Capital, Seedfund, Ncubate Capital, Nexus India Capital and Draper Fisher Jurvetson (DFJ), are increasingly willing to provide seed stage funding, but let us consider the thumb rules.
- If the investment amount is higher, the venture capital firm may choose to

take a minority stake and invest the balance in convertible instruments, such as debentures and preference shares.

- If you are planning to approach a venture capital firm, be prepared to answer questions on the kind of bond you share with your business partner or the rapport with your team. These investors usually don't believe in one-man shows; It is risky if everything depends on one person. Unless an entrepreneur is very experienced, he won't be able to deal with the challenges posed by a start-up single-handedly.
- You will also need to have an exit strategy. The basic purpose of any venture capital investor is to sell his stake for a profit after 4-5 years. So, explain the options for the next round of investment, typically from a private equity player, the possibility of an IPO or a potential buyer, along with an approximate exit valuation, in the presentation.

Benefits

- 1 This is practically the only option that gives entrepreneurs access to deep pockets at a time when they are trying to build the company.
- 2 You also get expert's help and access to the firm's entire network.

Drawbacks

- 1 Venture capital funds in India require proof of concept and clear revenue visibility before investing.
- 2 In addition, each player will have sectorial preferences.
- 3 A typical player expects an internal rate of return of 25% on the investment in 4-5 years. To meet the expectation, the company's compounded annual growth should be over 25%.
- 4 A business with low scalability may not be able to provide them with the desired returns on their investment and, hence, will not be considered outright.
- 5 The safest bets are the ones where there is a business and professional connect. "It is a highly dilutive way of raising capital. It suits companies that have very high scalability and don't need too much recurring capital.

Upcoming sectors

The most sought-after sectors in this segment are biotech, mobile value-added services, education, healthcare, e-commerce, IT-ITeS, and green technology.

C. Venture Debt

This is a medium-term loan that is exclusively provided to companies backed by venture capital firms.

How venture debt works

The USP here is that no collateral is required to be eligible. Instead, venture debt providers evaluate applicants on the basis of a startup's fundamental enterprise value, assessing how it will grow and, thereby, securing its future cash flow and ability to repay the loan. You can expect funding of Rs. 2.5 to 20 crore, depending on the growth stage of company and the nature of requirement.

An experienced founding team, a credible business plan and a solid venture capital investor base are some factors that investor would consider in their assessment. The interest rates are fixed for the tenure of the loan and are competitive compared with rates that SME companies can usually obtain from banks.

Benefits

Venture debt financing is structured specifically to support seed and early-stage start-ups. Hence, it understands that a venture is prone to volatility early in life and, consequently, provides more flexibility to entrepreneurs.

This is a useful tool for an entrepreneur wanting to minimize his equity dilution early on as it can bridge the gap between the funds provided by the venture capitalist and his actual requirement. These funds come with the least amount of restrictions and can be utilized for any business initiative, from basic operations and working capital to supporting capital expenditures and making acquisitions.

Drawbacks

Apart from the interest on the loan, venture debt providers typically require shares of your company, to compensate for the higher risk involved. If the company does well, debt provider expects a bigger share. It also enables you to keep the loan interest rate down to a minimum.

D. Angel Investor

An angel Investor is an affluent individual who provides capital for a business start-up. An individual who provides capital to one or more startup companies is called Angel Capitalist. They are usually serial entrepreneurs or heads of major multinational firms. They can also be a group of individuals who pool in funds to invest. The individual is usually affluent or has a personal stake in the success of the venture. High levels of risk and a potentially large return on investment characterize such investments. The key networks include Mumbai Angels, Indian Angel Network, Hyderabad Angels, Pune Tech Angels, Business Angel Network of Kerala and East Angels.

Angel investors have one essential and primary goal identical to venture capitalists – they are in the business of making money. Angels invest with anticipation of a healthy return on their investment. They expect the healthiest & lucrative returns on their investment.

Features

Angels have an expectation of financial return just like any other investor. But they also have many attributes invaluable to young companies that can set them apart from other types of investors. Angels typically:

- 1 Have a sense of social responsibility and enjoy community involvement.
- 2 Take a role in the entrepreneurial process.
- 3 Act as mentors and advisers to the entrepreneur
- 4 Provide early-stage investment.
- 5 Invest regionally
- 6 Invest smaller amounts at a time.
- 7 Invest their own money.
- 8 Able to tolerate the loss of their entire investment
- 9 Have a diversified portfolio.
- 10 Take a long-term view of their investments – which are often referred to as “patient money”.

How Angel investing works

Angels typically come into the picture at a start-up's seed stage, when the business idea is just a concept. The business plan itself is very risky. So what draws an angel's attention? Business ideas that have the potential to generate solid returns, as well as be the person behind it, but they are basically in it for noble reasons.

Since all start-ups are risky propositions at this stage, angels typically don't put in a huge sum. They invest in start-ups that are unlikely to draw the interest of venture capitalists since, the size of investment is rather small, from 50 lakh to 5 crore, depending on the angels approached and the business idea. Only in special circumstances will the deal size stretched to Rs.10 crore. In return, they take a 20-30 % stake in the firm.

Types of Angel Investors

Angel investors can be classified into five basic groups:

1. Corporate Angels
2. Entrepreneurial Angels
3. Enthusiast Angels
4. Micromanagement Angels: Micromanagers are very serious investors
5. Professional Angels: The term “professional” in this context refers to the investor's occupation, such as doctor, lawyer and, in some very rare instances, accountant.

Benefits

- 1 Prefer Start-up at Early-Stage
- 2 Seek smaller Deals
- 3 Angels are patient investors. Typically remain invested for 7-8 years. They review

the progress regularly and are even willing to go back to the drawing board, if required

- 4 Quick access to funds. It can take anywhere between a day and upto three months to close a deal.
- 5 Invest in all Industry sectors
- 6 No high Fees
- 7 Value-added investors
- 8 Geographically dispersed
- 9 Offer leveraging effect
- 10 Give Loan guarantees
- 11 They like high-technology firms

Drawbacks

- 1 They are difficult to find. Need to have the right contacts / professional network to secure such funding
- 2 Get involved in the running of the firm
- 3 Could turn-out to Be “Devils”

Factors like the entrepreneur’s reputation, integrity, clarity of mind and his response to feedback are important for them. They are more concerned with the capital efficiency of a business idea. This is why so many IT start-ups, typically both capital-efficient and easily scalable, find favour with angel investors.

Upcoming sectors

“Currently, angels are interested in funding education, mobile value-added services and apps, innovations in healthcare and rural entrepreneurship.

E. Difference between Venture Capitalist & Angel Investors

Basis of Difference	Venture Capitalist	Angel Investor
1. Personal	Investors	Entrepreneurs
2. Firms Funded	Large, mature	Small, early-stage
3. Due Diligence Audit is done	Extensive	Minimal
4. Location of Investment	Not important	Of Concern
5. Contract used	Comprehensive	Simple
6. Monitoring after investment	Strategic	Active, hands-on
7. Rate of Return	Highly important	of lesser concern

F. Project Appraisal by Financers for sanctioning loans

Project Appraisal- Meaning

The project appraisal means the assessment of a project in terms of its economic, social and financial viability. Project appraisal is an exercise whereby a lending financial institution

makes an independent and objective assessment of various aspects, which are submitted by the entrepreneurs for securing loans.

Project appraisal can be defined as “ Taking a second look critically and carefully at a project as presented by the promoter person who is in no way involved in or connected with its preparation and who is as such able to take an independent, dispassionate and objective view of the project in its totality as also in respect of its various components” .

Objective-

Appraisal exercises are basically aimed at determining the viability of a project and sometimes also in reshaping the project so as to upgrade its viability.

Points to be studied while evaluating the Project -

- The factors generally considered by institutions while appraising a project include technical, financial, commercial, economic, ecological, social and managerial aspects.
- This makes it necessary to recognize the inter-relationship underlying the various aspects of a project. e.g the size of the initial demand in the market and estimated demand would determine the plant capacity and production . These together would have bearing on the profitability, which would determine the means of financing.
- Location also has an important bearing on project cost and cost of production. Above all, the management behind the project has a decisive influence on most of these aspects. These considerations imply that project appraisal is viewed as a composite process as against the approach of viewing each aspect separately.
- The emphasis has largely been on the cash flow and financial viability of project in assessing their suitability for extending the loans.

This part will focus on the appraisal's thinking process from the viewpoint of the lending financial institution. This will help to ensure necessary preparation on the part of the borrowers- entrepreneurs/businessmen.

The person who carries out appraisal of a project is usually an official from the financial institutions or a team of institutional officials. Since all ending activities involve risk in a smaller or larger measure, the project appraisal aims at sizing up the quality of projects and their long-term profitability aims at minimizing the risk in lending by rectifying their weaknesses and improving their quality by making required changes.

Scope of appraisal

The financial institutions with the twin objectives of determining the market potential of a project and selecting an optimal strategy to undertake the appraisal of a project. The methods of analysis vary from project to project.

- Choice of technical process and/or appropriate technology
- Technical collaboration arrangements, if any
- Size and scale of operations
- Locational aspects of the project and availability of infrastructural facilities
- Selection of plant, machinery and equipment together with background, competence and capability
- Plant layout and factory buildings
- Technical engineering services
- Project design and network analysis for the assessment of project Implementation schedule
- Aspects relating to effluent disposal, management of process, utilization of by-products etc.
- Project cost and its comparison with similar projects, based on technology, equipment, product mix and time spread.
- Determination of project cost estimates, profitability projections etc.
- Sensitivity analysis

All these aspects are closely interrelated. The management of the project has decisive role to play in almost all aspects of the project.

Steps followed in Project Appraisal

It follows a specific pattern. First and foremost, an analysis of a region's economy provides a general framework within which the assessment of any project is made. This analysis indicates whether the project is in a conducive environment, which enjoys priority for economic development of the concerned region. This exercise usually involves the investigation of six different aspects: economic, technical, organizational, managerial, operational and financial.

The main stages of the system of project appraisal are.

Step 1 – Economic – Indicates priority use

Step 2 – Technical – Involves scale of the product and the process to be adopted.

Step 3 – Organizational – Sustainability is examined

Step 4 – Managerial – Adequacy and competence are critically scrutinized

Step 5 – Operational – Efficiency and capability of the project

Step 6 – Financial – Determines the financial viability for sound implementation and efficient operation.

Project Appraisal Format

Sr No	Criteria	Project -I	Project -II	Project -III	Project - IV
1.	Investment size				
2.	Location				
3.	Technology				
4.	Equipment				
5.	Marketing				
6.	Power & Water				
7.	Working Capital needs				
8.	Labour component				
9.	Economic viability				
10.	Performance				
	TOTAL				
Point Scale – A = 5, B = 4, C = 3, D = 2, E = 1					

Stages of Project Appraisal system**Economic Aspects**

- High–priority use of a region's resources.
- Increased output
- Enhanced services
- Increased employment
- Larger Government revenue
- Higher earnings
- Higher standard of living
- Increased National income
- Improved income distribution

Organizational aspects

- Organization structure
- Recruitment Policy
- Training to staff

Management aspects

- Competency of promoters
- Academic qualifications
- Industrial experience
- Past performance etc.

Technical aspects

- Location & site
 - o Raw material supplier
 - o Proximity of market
 - o Transportation facility
 - o Power and fuel supply
 - o Water
 - o Manpower Requirement
 - o Labour laws & Government policy
 - o Taxes & fees
 - o Incentives and disincentives
 - o Site ancillary services
 - o Socio-economic and Political factors
- Size of the Plant & Scale of operation

Technical Feasibility

- Manufacturing process / Technology selected
- Technical collaboration arrangements made if any.
- Capacity /size of the project and the scale of operations
- Location of the project
- Availability of physical and social infrastructural facilities
- Availability of various inputs covering raw materials as well as utilities
- Selection of plant, machinery and equipment together with background, competence and capability of machinery/equipment suppliers
- Plant layout / and factory building
- Technical engineering services
- Project design and network analysis for assessing the project's implementation schedule.

- Proposed capacity should be of economic size
- Fuller utilization of capacity and economies of scale

Financial aspects

- Financial soundness
- Efficiency in operation
- Cost of production
- Return on investment
- Prospects of marketing
- Profitability
- Effective management controls
- Budgeting
- Pricing
- Financial aspects
 - o Cost analysis
 - o Pricing
 - o Financing
 - o Income and expenditure

Marketing / Commercial aspects

- Analysis of market opportunity size of the market for a product
- Marketing process
- Control of the implementation of the marketing plan
- Planning the process of marketing the product
- Marketing plan
- Marketing strategy
- Management culture
- Entrepreneurs' approach
- Organizational structure

Political and Labour considerations

- Strikes, lockouts, industrial peace,
- Communal harmony in the area

The lending institutions examine the project to study its soundness on technical, economic, commercial and managerial criteria. If the appraisal report is found satisfactory, the loan application will be favourably considered. The manager then communicates his decision to the borrower and then the terms and conditions would be negotiated.

The most important areas for the borrower and lender to negotiate are : repayment schedule, rate of interest, processing fees, security options and monitoring & control procedures.

G. Points to be Remembered while Presenting Case for Term Loan

1. Business Proposition on Either Side

Regardless of the amount of finance involved, the information required by each lender will be basically similar. Please remember that you are not looking for a favour, this is a business deal from which you expect to make money. The financial institution will have to make sure about your intentions and capacity to pay back the loan; they would like to know your commitment and involvement in the project; since you and the financial institution will have long-term relations they would also want to assess how you would fit into their plans.

2. Expectation of a Financier:

Let us anticipate and understand the kind of questions you will have to answer and the expectations financial institutions will have from you when you are seeking a loan.

a. Who are you? - Who you are, gives the lender an idea of what kind of management you are capable of giving to your business. Your education, your experience, your accomplishments, your short-comings and your management skills, all of these are of interest to him. Obviously your diligence and determination to make your venture success that will be a major factor to be considered. As an entrepreneur, you should try to establish as to why you have taken up this specific project. At this stage it will be in your interest and to your advantage; if you can justify your business for taking up this project and present your own strengths to handle the same.

b. How will your business perform?

One thing of great concern to financial institutions will be the chances of the success of your new project. They would definitely like to analyze the possibility of its failure to generate profit and in that event; to judge your capability to manage the project successfully. You can satisfy the financial institutions on the basis of the following details:

- o Products or services and proposed justification for selecting, the product'. unique features of the product.

- o How you have made your estimates and which are the assumptions you have made for the same.
- o An understanding of competition from regional or from outside your region.
- o Complete/realistic calculations of financial liability. These calculations alone can give real picture of your financial position.

c. How you have planned to manage your business ?

This is the most important part of the project. It is not only the project but also it is 'YOU' who is going to manage the show and therefore, it will be very essential for you to prove that you are taking adequate precautions to make the project a success. Your actions and sincere efforts to implement the plan can satisfy the financial institutions. Your plan to implement the project steadily and the actions already taken in that direction are two areas, which can really convince the financial institutions.

d. What is your financial strength?

- o Your own financial strength:
A financial institution would definitely like to make sure that you are capable of raising necessary funds required for the margin money (your contribution) that you will have to invest.
- o Financial Strength of the Project:
The vulnerability of the project will depend on the ratio of the investment that you are making and the amount that you are going to borrow, because the borrowing is also at a cost. If a financial institution feels that your borrowings are much higher than your own funds then your project is found to be very vulnerable.

e. Your own strength as an entrepreneur:

The greatest strength of the project is you, the "Entrepreneur". You must try to convince your financial institution that you are the person who is going to manage the show. Your own strengths in handling the project should be explained very clearly. The strengths may be in the area of technical or managerial competence or entrepreneurial capability. You should mention this effectively in your report as well as during your personal interview.

3. Some Useful Tips:

After having understood what a financial institution normally expects, you will find the following tips useful for presenting your case convincingly.

- a Present your case or report in a good typed format and it should be easily comprehensible to both you and the officer making the appraisal of your project.

- b Know your report thoroughly so that you can explain all its content without fumbling with features or figures.
 - c Keep your presentation business-like because you are not asking for a favour. Do not compromise on any of your demands but be confident to defend your case.
 - d Be honest to the lender; he will have his own ways to counter-check the information you give him. The slightest doubt about your honesty can close all doors for financial assistance.
 - e Do not doubt the capacity or skills of the interviewer but try to understand his needs and help him to assess your case.
 - f Do not try to hide any information. Be frank. If your proposal is good then he may even choose to help you out when in difficulty.
 - g Remember that they look out for good entrepreneurs with good projects. So just prove that you are the one and you will get your share of their finance.
- Good Luck !

Questions

1. What are the types of Business funding?
2. What are the features of Venture capital? How venture capital works?
3. Explain the benefits & its drawbacks.
4. How venture debt works ? explain benefits & drawbacks.
5. Explain features of Angle capital. How angel investing works . what are the benefits and drawbacks of Angle capital.
6. Explain the term ‘Project Appraisal ‘ which are the points to be studied while evaluating the Project .
7. What are the Stages of Project Appraisal system?
8. What are the points to be remembered while presenting case for Term Loan

Quotes

For Good People, Good ideas & Good Concepts the MONEY is there.

We all need someone
who inspires us to do better
than we know HOW?

Action planning
turn your idea
in to a Business.

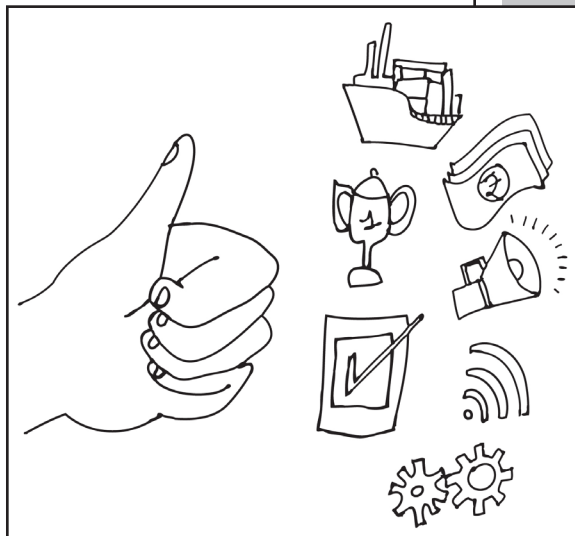
Everything you have ever wanted
is RIGHT OUTSIDE
your COMFORT ZONE.

Do ONE THING
everyday that scares YOU.

When was the last time
you did something for the first time?

May the guardian angel
always protect and guide YOU
in everything you do!

10



ROLE OF SUPPORT INSTITUTIONS -

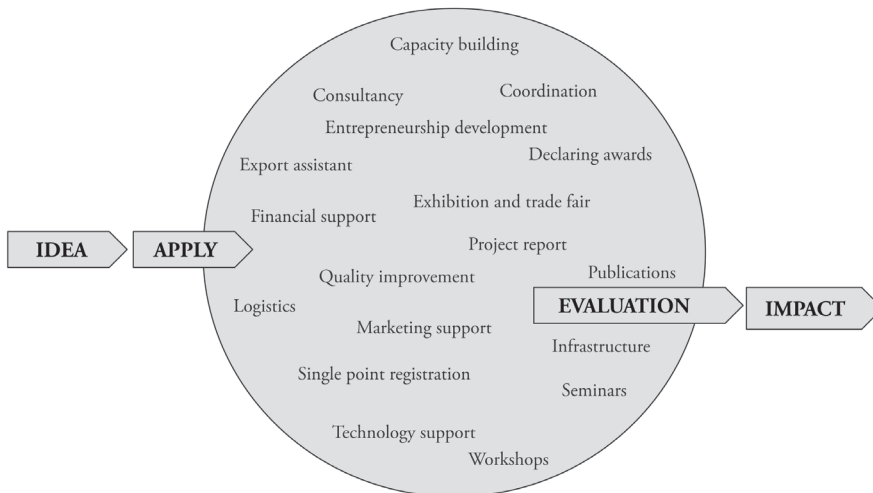
In Start Up, Promotion, Financing, Training & Development & The Growth

ROLE OF SUPPORT INSTITUTIONS -

In Start up, Promotion, Financing, Training & Development & the growth

- A. Government Organisations in Industry Promotion**
- B. Industrial Corporations**
- C. Development Support Organisations**
- D. Industry Associations**
- E. International Organisations**
- F. Non-Governmental Initiatives**

An entrepreneur requires a continuous flow of funds not only for setting up of his business, but also for successful operation as well as regular up gradation/ modernization of the industrial unit. To meet this requirement, the Government (both at the Central and State level) has been undertaking steps like formulating various policies and schemes which specifically focus towards the promotion and development of small and medium enterprises.



A. Government Organisations In Industry Promotion

The Government has set up various organizations, which specialize in industry promotion & entrepreneurship development in different sectors of small-scale industries. These organizations run specific promotional schemes in addition to providing financial support to industries.

I District Industries Centers (DIC)

The 'District Industries Centre' (DICs) programme was started by the central government in 1978 with the objective of providing a focal point for promoting small, tiny, cottage and village industries in a particular area and to make available to them all necessary services and facilities at one place. It accelerates the overall efforts for industrialization of the district. The finances for setting up DICs in a state are contributed equally by the particular state government and the central government.

Role of DIC for the promotion of Small Scale & Cottage Industries

1. Acts as the focal point of the industrialization of the district.
2. Allotment of Raw Materials.
3. Priority in Power supply/ Telephone connection.
4. In plant study of their SSI Units.
5. Attending problems related to SSI Registration/ Bank loan/ Marketing
6. Financial Assistance for modernization of Unit.
7. Export assistance.
8. Ancillary Industry tie-up with Govt. undertakings.
9. Marketing assistance through participation in Exhibitions/ Trade Fairs/ Buyer-Seller Meet etc.
10. National level awards for innovative products/ outstanding growth/ exports
11. Support to Handicrafts Artisans, Cottage Industries, Coir industries
12. Promotion of Electronic Industries.
13. Promotion of new Industrial Estates/ Growth Centres.
14. Setting up of Bio-gas plants.
15. Sick unit Revitalization.
16. Single window assistance through SIDA and District Industries Centres.
17. Technical support for preparation of Project Report.
18. Training through Entrepreneurship Development Programme, Managerial capability programs through workshops, seminars

II Small Industries Development Organization (SIDO)

Small industries Development Organization (SIDO) is created for development of various small scale units in different areas. It is a nodal agency for identifying the needs of SSI units coordinating and monitoring the policies and programmes for promotion of the small industries. It undertakes various programmes of training, consultancy, evaluation for needs of SSI and development of industrial estates. All these functions are taken care with 27 offices, 31 SISI (Small Industries Service Institute), 31 extension centers of SISI and 7 centers related to production and process development.

The activities of SIDO are divided into three categories as follows:

1. Coordination activities:

- Implement and coordinate in the development of industrial estates.
- To coordinate various programmes and policies of various state governments pertaining to small industries.
- To maintain relation with central industry ministry, planning commission, state level industries ministry and financial institutions.

2. Industrial development activities:

- Develop import substitutions for components and products based on the data available for various volumes-wise and value-wise imports.
- To give essential support and guidance for the development of ancillary units.
- To provide guidance to SSI units in terms of costing and market competition and to encourage them to participate in the government stores and purchase tenders.
- To recommend the central government for reserving certain items to produce at only SSI level.

3. Management activities:

- To assist SSI units in selection of plant and machinery, location, layout design and appropriate process.
- To help them get updated on various information related to the small-scale industries activities.
- To provide marketing assistance to various SSI units.
- To provide training, development and consultancy services to SSI to develop their competitive strength.

III National Small Industries Corporation Ltd. (NSIC)

National Small Industries Corporation Ltd. (NSIC), is an ISO 9001-2008 certified Government of India Enterprise under Ministry of Micro, Small and Medium Enterprises (MSME). NSIC has been working to fulfill its mission of promoting, aiding and fostering the growth of small industries and industry related micro, small and medium enterprises in the country. Over a period of five decades of transition, growth and development; NSIC has proved its strength within the country and abroad by promoting modernization, up gradation of technology, quality consciousness, strengthening linkages with large medium enterprises and enhancing exports and products from small enterprises.

NSIC has set up Training cum Incubation Centre with a large professional manpower. It provides a package of services as per the needs of MSME sector.

To promote small industries & to market their products, NSIC acts as a facilitator and supports small enterprises in their marketing efforts, both in an outside the country. It has devised a number of schemes like

1. B2B Web Portal for Marketing
2. Buyer-Seller meets to promote at vendor development from MSMEs
3. Consortia and Tender Marketing
4. Credit Support in the areas like Financing for procurement of Raw Material (Short term), by importing scarce raw materials, by taking care of all the procedures, documentation & issue of letter of credit in case of imports.
5. Exhibitions and Technology Fairs to showcase the competencies of Indian SSIs
6. Financing for Marketing Activities
7. Marketing Intelligence by collecting and maintaining domestic as well as international database for the benefit of MSMEs.
8. NSIC is operating a Performance and Credit Rating Scheme through empanelled agencies like CARE, ONICRA, ICRA, CRISIL, INDIA RATINGS, BRICKWORK RATINGS and SMERA.
9. NSIC offers small enterprises the support services like advice on material testing, product design including CAD, support in machining, EDM, CNC etc., Energy and environment services, Classroom and practical training for skill up gradation through its Technical Services Centres and Extension Centres
10. Single point Registration for Government Purchase
11. Technology Support is given to small enterprises in addition to financial, marketing and operational strategies and adopt the one that helps integrate their operations with their environment, customers and suppliers.

For the last five decades, NSIC has acquired various skill sets in the development process of small enterprises. The inherent skills are being networked to offer consultancy services for other developing countries. The areas of consultancy are as listed below:

1. Capacity Building
2. Policy & Institutional Framework
3. Entrepreneurship Development
4. Business Development Services

NSIC is facilitating micro and small enterprises to insure their export credits by entering into strategic alliance with Export Credit Guarantee Corporation of India Limited (ECGC) to strengthen promotion of exports from small enterprises.

IV Small Industries Service Institute (SISI)

Small-scale sector is one of the success stories of the modern India. Established in 1960 as Small Industries Service Institutes Extension Centre and thereafter upgraded as Small Industries Service Institute in 1975.

The small Industries Service Institutes (SISI) are the field offices of Small Industries Development Organization (SIDO), Ministry of Small Scale Industries, Govt. of India, set up for the promotion and development of Small Scale Industries in the State in the

early fifties. This Institute provides support / services to the State Government as well as co-ordinates various activities at the state level for promotion and development of small-scale industries.

Details of Major Extension Services provided by the Institute are given below

1. Agencies like Director General of Foreign Trade
2. Ancillary Developments / Sub-Contract Exchange
3. Assistance to District Industries Centre / State Govt.
4. Assistance to Rehabilitation of sick units
5. Bureau of Indian Standards, CSIR etc.
6. Common Facility & Training
7. Economic Information
8. Entrepreneurial Development Programme, Scheme for Educated Unemployed Youth / Prime Minister's Rojgar Yojana
9. Exhibition / Demonstration.
10. Export Promotion Marketing
11. Industrial Management Training
12. Marketing Assistance
13. Modernization / Up gradation Technology
14. Technical Consultancy

V Small Industries Development Bank of India (SIDBI)

Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, is the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities. SIDBI is among Top 30 Development Banks of the World.

Four basic objectives are set out in the SIDBI Charter. They are:

- 1 Financing
- 2 Promotion
- 3 Development
- 4 Co-ordination

SIDBI is helping to face the following major issues which are confronting MSMEs

- 1 Technology obsolescence
- 2 Managerial inadequacies
- 3 Delayed Payments
- 4 Poor Quality
- 5 Incidence of Sickness
- 6 Lack of Appropriate Infrastructure and
- 7 Lack of Marketing Network

There can be many more similar issues hindering the orderly growth of MSMEs. Over the years, SIDBI has put in place financing schemes either through its direct financing mechanism or through indirect assistance mechanism. In its approach, SIDBI has made a good balance between financing and providing related support services. SIDBI is assisting following sectors.

1. Advertisement and Promotion Services
2. Auto workshops / Repairs/ Auto Dealers
3. Business Process Outsourcing (BPO), Knowledge Process Outsourcing (KPO) and other knowledge based activities like call centres, technical help desks, medical transcriptions, bio- informatics, contract research, etc.
4. Franchisees / Franchisors
5. Health care (Diagnostic & Pathology centres / Clinics, Hospitals, etc.)
6. Hospitality & Tourism related activities (includes Health Tourism, rent a car)
7. Hotels below 5 star category, especially budget hotels, restaurants
8. Infrastructure Support Services including activities relating to Telecom
9. IT and IT enabled services
10. Logistics
11. Retail outlets
12. Scientific or technical consultancy, testing and analysis agency, event management for industry, promotion of industrial growth.
13. Setting up of mobile/radio frequency transmission/receiver towers, cabling, network installation, systems integration, service centres, dealerships, etc.
14. Setting up of service stations (petrol and gas filling stations, auto workshops, etc.),
15. Telecommunication Services
16. Warehousing and cold storage

(The list is only indicative and not exhaustive. They shall also offer assistance to Service Sector Businesses not listed above.)

VI Small Industries Development Corporations (SIDCO)

Small Industries Development Corporations (SIDCO) are state-owned organizations in the states of India which were established at various times under the policy of Government of India for the promotion of small sale industries.

A few of the SIDCOs are:

- Kerala Small Industries Development Corporation Limited
- Small Industries Development Corporation of Jammu and Kashmir.
- Tamilnadu Small Industries Development Corporation Limited (TANSID-CO).

VII State Financial Corporation of India (SFCs)

In order to provide medium, and long term credit to industrial undertaking, which fall outside the normal activities of commercial banks, a central industrial finance corporation was set up under the Industrial Finance Corporations Act, 1948 in order to provide medium and long term credit to industrial undertakings which fall outside normal activities of commercial banks.

VIII Maharashtra State Financial Corporation (MSFC)

Maharashtra State Financial Corporation (MSFC) is a statutory Corporation set up under the State Financial Corporations (SFCs) Act, 1951. Besides the Head Office at Mumbai (Bombay), MSFC has 7 Regional Offices and 12 Branch Offices in Maharashtra and Goa.

Main functions of MSFC

1. To provide mainly the term loan assistance to small and medium scale industries for acquiring fixed assets like land, building, plant & machinery.
2. Loans are presently offered for expansion, diversification, technology development, enlarging product mix / product range, quality improvement initiatives including ISO 9000 series certifications and also for take-over of Term Loan accounts from Banks , other Financial Institutions in case of credible borrowers of the Corporation.

Eligible activities

1. Activities such as Nursing homes, hotels, restaurants, tourism related activities are eligible for loans.
2. Industrial activities such as manufacturing, assembling, servicing, processing, preservation, transportation, setting-up industrial estates, etc.
3. Medical practitioners are eligible for loan for acquiring electro medical and other equipment for professional use.
4. Other service activities declared as eligible under the SFCs act.
5. Qualified professionals in management, engineering, architecture, accountancy etc. desiring to undertake expansion of their professional practice / consultancy ventures.
6. **Proposed:** Commercial Complexes, Multiplexes, Marriage Halls, Group Housing / Residential Complex, etc.

The Small Scale Industrial Units should have SSI Registration while Service Enterprises should be registered with the appropriate authority.

IX National Small Industries Corporation (NSIC)

The National Small Industries Corporation (NSIC), an enterprise under the Union Ministry of Industries was set up in 1955 in New Delhi to promote aid and facilitate the growth of small-scale industries in the country. NSIC offers a package of assistance for the benefit of small-scale enterprises.

1. Continuously gets updated with the latest specific information on business leads, technology and policy issues
2. Marketing assistance programme: - Participation in government tenders
3. Performance and credit rating: Gives credit rating by international agencies subsidized for small enterprises up to 75% to get better credit terms from banks and export orders from foreign buyers
4. Raw material assistance: Provides raw material on convenient and flexible terms
5. Sanctions term loan & working capital for small enterprises from banks
6. Single point registration: Registration under this scheme for participating in government and public sector undertaking tenders

X Small Scale Industries Board (SSIB)

The Government of India constituted a board, namely, Small Scale Industries Board (SSIB) in 1954 to advise on development of small-scale industries in the country. The SSIB is also known as Central Small Industries Board. The range of development work in small-scale industries involves several departments /ministries and several organs of the central/state governments. Hence, to facilitate co-ordination and inter-institutional linkages, the small scale industries board has been constituted. It is an apex advisory body constituted to render advice to the government on all issues pertaining to the development of small-scale industries.

XI National Institute of Entrepreneurship and Small Business Development (NIESBUD)

NIESBUD is an apex body under the Ministry of Micro, Small & Medium Enterprises, and Government of India for coordinating and overseeing the activities of various institutions / agencies engaged in entrepreneurship development particularly in the area of small industry and small business. The Institute, which is registered as a Society under Societies Registration Act, 1860 (XXI of 1860), started functioning from 6th July 1983.

The Activities

1. Accreditation Programme for Entrepreneurial Motivation Trainers
2. Development of standardized course contents/reading materials and undertaking Research
3. Entrepreneurship orientation programme for HODs and Senior Executives
4. Formulation of standardized procedures of identification and selection of potential entrepreneurs
5. Preparation of information materials for entrepreneurs like Handbooks on Industrial Laws; Commercial Laws; ready reckoner for product selection etc
6. Preparation of Training aids materials - Manuals, Handbooks, Lesson Plans, Learning Text, Case Studies, Kits etc
7. Research & Publications

8. Trainers Training Programme for Enterprise Launching and Management.
9. Trainers / Promoters Programme for support Organizations such as DICs, Development Corporations etc.
10. Training of Trainers / Promoters

XII Small Industries Service Institutes (SISI)

The small industries service institutes have been set up in state capitals and other places all over the country to provide consultancy and training to small entrepreneurs both existing and prospective.

The main functions of SISI include:

1. District, State industrial potential surveys
2. Economic consultancy/information/EDP consultancy
3. Modernization and in plant studies
4. Project profiles
5. Initiate promotional programs
6. Render technical support services
7. Serve as interface between central and state government
8. Trade and market information
9. Workshop facilities
10. ENTREPRENEURSHIP DEVELOPMENT Training in various trade/activities
 - i) Entrepreneurship Development Institute of India (EDII)
 - ii) National Institute of Entrepreneurship and Small Business Development (NIESBUD)
 - iii) National Entrepreneurship Development Board (NEDB)
 - iv) National Skill Development Corporation (NSDC)

i) Entrepreneurship Development Institute Of India (EDII)

Apex financial institutions - IDBI BANK LTD., IFCI LTD., ICICI BANK LTD. and State Bank of India (SBI), sponsor the Entrepreneurship Development Institute of India (EDII), an autonomous and not-for-profit Institute, set up in 1983. The Government of Gujarat pledged twenty-three acres of land on which stands the majestic and sprawling EDI campus.

To pursue its mission further, EDI has helped set up twelve state-level exclusive entrepreneurship development centres and institutes. One of the most satisfying achievements, however, was taking entrepreneurship to a large number of schools, colleges, science and technology institutions and management schools in several states by including entrepreneurship inputs in their curricula. In view of EDI's expertise in Entrepreneurship, the University Grants Commission appointed the EDI as an expert agency to develop curriculum on Entrepreneurship.

In the international arena, efforts to develop entrepreneurship by way of sharing resources and organizing training programmes, have helped the EDI earn accolades and support from the World Bank, Commonwealth Secretariat, UNIDO, ILO, FNSt, British Council, Ford Foundation, European Union and several other renowned agencies.

The principal activities of EDII are

1. Conducting and organizing EDPs for potential entrepreneurs
2. Conducting seminars and workshops on various themes
3. Extension of motivation programmes for officers, performance improvement programmes for existing entrepreneurs, competent management programmes for unemployed non-technical graduates etc.
4. Generation and dissemination of new knowledge

The various programmes run by EDII is said to be the oldest, largest, most comprehensive, organized and successful EDPs in the country.

ii) The National Institute for Entrepreneurship and Small Business Development (NISBUED)

NIESBUD is an Apex Institute in the area of Entrepreneurship and Small Business Development under the Ministry of Micro, Small and Medium Enterprises Government of India. The basic objective of the institute is the promotion and development of Micro, Small and Medium Enterprises including enhancement of their competitiveness through various activities.

Role of the Institute:

1. Designing syllabi for different kind of training programmes like Trainers' training programmes, entrepreneurship-cum-skill development programmes (ESDPs) and different orientation programmes. preparation of training aids materials like manuals, handbooks, lesson plans, learning text, case studies, EMT kits etc.
2. Evolving standardized materials, research, publications.
3. Formulation of standardized procedures of identification and selection of potential entrepreneurs.
4. Rendering assistance in framing recruitment rules for different categories of Staff.
5. Research & publications
6. Offer consultancy nationally/internationally for promotion of entrepreneurship and small business development.
7. Provide national/international forums for interaction and exchange of experiences helpful for policy formulation and modification at various levels.

iii) National Entrepreneurship Development Board (NEDB):

The National Entrepreneurship Development Board (NEDB) is the apex body for

entrepreneurship development in the country. It devises and recommends to the Government, schemes for promotion of entrepreneurship for encouraging self-employment in small scale industries and small businesses. The Board also recommends suitable facilities and incentives for entrepreneurship training.

Objectives: -

1. To act as catalyst to institutionalize entrepreneurship development by supporting and strengthening state level institutions for entrepreneurship development as most entrepreneurship related activities take place at the grass root level and removing various constraints to their effective functioning.
2. To articulate priorities and design and monitor the implementation of Action Plans thereby helping the area to cope with the business environment of 21st Century.
3. To facilitate the consolidation, growth and diversification of existing entrepreneurial venturing in all possible ways.
4. To focus on existing entrepreneurs in micro, tiny and small sector and identify and remove constraints to survival, growth and continuously improve performance.
5. To identify & remove entry barriers for potential entrepreneurs (first generation and new entrepreneurs).
6. To seek to evolve a ten years perspective plan of resource development and support services, required by micro, tiny, small and medium scale entrepreneurs to lead a national drive by the concerned governmental agencies both Central and State Government, R&D institutions, entrepreneurship promoting institutions and all others interested in supporting the cause of entrepreneurship and entrepreneurial ventures.
7. To sensitize to support agencies in the area of entrepreneurship about the current requirement of growth.
8. To support skill up gradation and renewal of learning processes among practicing entrepreneurs and managers of micro, tiny, small and medium enterprises.

iv) National Skill Development Corporation (NSDC)

National Skill Development Corporation India (NSDC) is one of its kind, Public Private Partnership in India. It aims to promote skill development by catalyzing creation of large, quality, and for-profit vocational institutions. It provides funding to build scalable, for-profit vocational training initiatives. Its mandate is also to enable support systems such as quality assurance, information systems and train the trainer academies either directly or through partnerships.

Objective:-

To contribute significantly (about 30 per cent) to the overall target of skilling / up skilling 500 million people in India by 2022, mainly by fostering private sector initiatives in skill development programmes and providing funding.

The NSDC will play three key roles:

1. **Funding and incentivizing:** This involves providing financing either as loans or equity, providing grants and supporting financial incentives to select private sector initiatives to improve financial viability through tax breaks etc. The exact nature of funding (equity, loan, grant) will depend on the viability or attractiveness of the segment and, to some extent, the type of player (for-profit private, non-profit industry association or non-profit NGO). Over time, the NSDC aspires to create strong viable business models and reduce its grant-making role.
2. **Enabling support services:** A skills development institute requires a number of inputs or support services such as curriculum, faculty and their training, standards and quality assurance, technology platforms, student placement mechanisms and so on.
3. **Shaping/creating:** In the near term, the NSDC will proactively seed and provide momentum for large-scale participation by private players in skill development. NSDC will identify critical skill groups, develop models for skill development and attract potential private players and provide support to these efforts.

B. Industrial Corporations**I Maharashtra Small Scale Industries Development Corporation Limited (MSSIDC)**

Established in 1962, Maharashtra Small Scale Industries Development Corporation Limited (MSSIDC) was initially envisaged as an agency to supply raw materials and to extend marketing assistance to small-scale units. Its basic objective was to help the small scale Industries to develop and grow to the fullest extent.

However, over the years, MSSIDC has become India's leading corporation, continuously responding to the expanding and diversified needs of Small Scale Industries. It is increasingly assisting SME & rural industries and providing support services like consultancy, counseling, marketing, training, import-exports, entrepreneurship development programme, etc.

This tremendous growth and expansion is made possible by its dedicated team, implementation of innovative plans and schemes.

Objectives of MSSIDC:-

1. To aid, counsel, assist, finance and protect and promote the interests of Small Industries and to provide them with capital, credit, means, resources and technical and managerial assistance for the pursuit of their work and business to enable them to develop and improve their methods of manufacture, management and marketing and their technique of production
2. To apply for and take-out, purchase or otherwise acquire any trade mark, patent-rights, inventions, copyright, designs or secret processes which may be useful for the Company's objects and to grant license to use the same, and to work, develop, carry out, exercise and turn to account for the same
3. To apply for, tender, purchase or otherwise acquire contracts and concessions for, or in relation to the construction, execution, carrying out, equipment, improvement, management, administrative or control of works and conveniences and to undertake, execute, carry out, dispose of or otherwise turn to account the same
4. To carry on any other trade or business (whether manufacturing trading, supplying or otherwise) which may seem to the Company capable for being conveniently carried out in connection with the above or calculated directly or indirectly to enhance the value
5. To certify to the appropriate Government officers with respect to the competency, as to capacity and credit, of any small industrial concern or group of such concerns to perform any specific Government contract
6. To effect co-ordination between Large Industries and Small Industries by suitable methods, enabling Small Industries to manufacture satisfactorily such parts, accessories, ancillaries and components and other articles as may be required by Large Industries
7. To enter into contracts with, and take up indents from, the Government of India and State Government for fabrication, manufacture assembly and supply of goods, materials, articles and equipment of every description
8. To grant or guarantee or recommend the grant of loans to Small Industries to finance plant construction, conversion or expansion, including the acquisition of land, or to finance the acquisition of equipment, facilities, machinery supplies or materials
9. To lend money to such persons or companies and on such terms as may seem expedient and in particular to customers and others having dealings with the Company and to guarantee the performance of contracts by any such persons or companies
10. To manufacture, buy, sell, import, export, install work and generally deal in any plant, machinery, substance, tools, materials, goods or things of any description which in the opinion of the Company, may be conveniently dealt with by the Company in connection with any of its objectives

11. To procure capital or financial assistance or accommodation for or provide machinery, equipment, technical and managerial assistance, information, instruction, inspection, supervision and other facilities to any company, person or association for the purpose of carrying into effect any of the aforesaid objectives
12. To promote and operate schemes for development of Small Industries in the State of Maharashtra and for that purpose to prepare and get prepared reports, blue prints, statistics and other information
13. To receive grants, loans, advances or other monies on deposit or otherwise, from the Central Government or State Government Banks, Companies, Trusts or individuals with or without interest thereon
14. To take over or establish and administer industrial estate

MSSIDC assists MSME Enterprises and Handicraft Artisans to grow and expand their market, revenues, business and operations through various schemes.

I MSSIDC offers two major services to Small Scale Units.

- 1 **Commercial Warehousing** - Under this activity MSSIDC makes available their godowns located at various places to the Government organizations, Public Sector Undertaking, Small Scale Industries, other industries for storing their products for the benefits of Industrial units. MSSIDC also undertakes the handling of the material, if desired by the customer.
- 2 **Franking** - MSSIDC provides the facility of franking for all types of documents except Bill of Exchange, Hundi, Insurance Documents and Share Transfer Deed.

II Maharashtra Agro Industries Development Corporation Limited (MAIDC)

Maharashtra has been a key contributor to the agriculture sector in India. India remains predominantly an agrarian economy, with about two-third of the population engaged in agriculture.

Maharashtra Agro Industries Development Corporation Ltd (MAIDC) was founded in 1965 to promote modernization of the Agro sector through mechanization and is a manifest example of the forward-looking policies of the state. It is a profit-oriented organization registered under the Companies Act, 1956. Right from its inception, MAIDC has been empowering the farmers' community to achieve higher productivity in agriculture.

The objective of the company is to make available to the farmers of Maharashtra standard quality Fertilizers, Pesticides, Agro Engineering Implements and Animal feed to the extent required and at the time of requirement and at competitive rates.

Ministry of Food Processing Industries, Govt. of India, has also designated MAIDC as State Nodal Agency. It also helps entrepreneurs in preparing projects, selecting the area,

etc. MAIDC has also developed a Food Park at Butibori near Nagpur with concept to provide common infrastructure facilities for small to medium food processing units. MAIDC is also in the process of setting up a Flower Auction Centre at Mumbai.

C. Development Support Organisations

Government of India has also set up various organizations that are at the forefront in providing support and training for the budding entrepreneurs. Few of them are:

I Central Footwear Training Institute – Agra

Agra has been renowned at the national and international levels as a centre for craft excellence, and industrial developments apart from tourist attractions. The city not only attracts foreign visitors for site seeing but the industries like Leather, Foundry and Handicrafts have also made it very popular across the globe.

Footwear Industry-

Although the Footwear manufacturing in this area had started centuries before Indian independence, but the sector was not fully developed, as the basic infrastructure was not available at that time. It was actually the beginning of sixties when the leather producers and other entrepreneurs thought of value addition to leather by converting it into footwear and other leather goods as the basic raw material i.e. leather was available in abundance. Although, the skilled workforce was available in plenty in some parts of the country, but there was acute shortage of managerial and the supervisory staff with technical qualifications. This was a severe problem and was acting as a major hindrance in the development of the footwear industry in the country. To overcome this problem, Government of India established “Central Footwear Training Centre, Agra” in July 1963, under Small Industries Development Organization, Ministry of Industry with financial assistance from Ford Foundation. The Centre was well equipped with latest imported machines. The prime objective of the Centre was to provide young and technically sound personnel to the footwear industry and to upgrade the knowledge and skill of the existing staff.

In the recent years the Footwear Industry has transformed from unorganized sector to the professionally organized sector. Liberalization and globalization has given the multi-required impetus and fuelled the exponential growth of this sector. Along with the emergence of the vast opportunity, there are new challenges facing the Footwear Industry. The Govt. of India, for the development of the Footwear Industry in the country, established “Central Footwear Training Institute” at Agra way back in 1963, under Small Industries Development Organization, Ministry of Industry with financial assistance from Ford foundation. The Centre became an autonomous body in 1996 and was renamed as “Central Footwear Training Institute” (CFTI), A Govt. of India Society.

Facilities at the Institute-

- 1 The campus is on a 7500 sq. meter landscape spread on the western side of the Agra-Delhi highway at Sikandra, The Institute is well connected from the city and is easily approachable by city bus service.
- 2 They have separate sections for separate operations like designing, clicking, closing, lasting, testing, Internet lab, CAD lab, etc
- 3 It provides job work facility for the industries. Equipped with the latest machineries and equipment the job work facility is provided with nominal cost comparing to the market rates
- 4 State-of-the-art facility grooms out skilled professionals
- 5 Well-developed infrastructure which is equipped with the most modern computer lab
- 6 Financial assistance from United Nations Industrial Development Organization (UNIDO) under National Leather Development Program has equipped the workshop with the latest imported machinery for footwear production and is well equipped with machines for physical testing of leather and footwear
- 7 High quality human resource is the greatest asset of the Institute
- 8 The CFTI faculty members are from the finest Institutes of technology in the Country and have been trained abroad in advanced methods of footwear production
- 9 The association of qualified professionals as faculty is another attractive feature.
- 10 The benefits of the rich educational background are coupled with exceptionally diverse experience of the people
- 11 The Institute also avails expertise from the UNIDO experts for the introduction and implementation of modern technology
- 12 The committed and enthusiastic footwear technologist groomed at CFTI is holding most of the senior positions in the footwear industry

II Tool rooms

Since liberalization of the economy established in 1994, India faces strong international competition. Thus, growth and diversification of its industry are increasingly characterized by a shift from simple to technically complex products.

Many enterprises aim at high value-addition. Modernization and automation of production processes increase productivity and reduce unit cost.

This is particularly true for the engineering industries (**metal and plastics processing ventures**) as well as **small and medium-scale enterprises (SME)**. They manufacture tools and moulds or use them for producing parts, components, systems, and final products, often as sub-contractors of large enterprises.

Objectives of tool room To assist small-scale enterprises, particularly metal and plastic groups in the field of :-

1. Design and manufacturing of Press Tools, Moulds and Die-casting die, Jigs, Fixtures and Gauges conforming to International standards.
2. Impart long term and short term training to new comers
3. Modern production technology
4. Precision job work in CNC machining
5. Productivity improvement
6. Providing Consultancy for Total Tooling Solutions for product development, productivity enhancement and quality improvement.
7. Providing trained manpower to the industry through Long Term, Medium Term and Short Term Courses in CAD/CAM/CAE/CNC Machining and Tool & Die Technology.
8. To generate the employment and provide skilled manpower to Tiny & SSI sector.
9. Tool-related innovations for improved product design
10. Training and up gradation in Tool & Die Technology

Few of the tool room centres are -

- Central Institute of Tool Design - Hyderabad
- Central Tool Room - Ludhiana
- Central Tool Room & Training Center - Bhubaneswar
- Indo-Danish Tool Room - Jamshedpur
- Indo-German Tool Room - Ahmedabad
- Indo-German Tool Room - Indore
- Indo-German Tool Room -Aurangabad

III Electrical and Electronic Centres

These Institutes are looked upon as nodal centres in view of its multifarious activities offered to suit various needs of the industry.

The main objective of setting up these centres is the growth potential of indigenous instrument industry and hence to meet the ever growing instrumentation needs of the country by augmenting productivity quality control in industrial sector – be it in Electrical, Electronics or Process Control Instruments.

Objectives of the centres:-

1. To promote Calibration and Testing of Electrical, Electronic and Process Control Instruments, Sensors, Transducers & Electrically Operated Domestic appliances sectors.
2. Calibration of Mechanical Measuring Instruments & Inspection of Mechanical Products & Components.

3. Design & Manufacturing of Press Tools for sheet metal components, Plastic Moulding Tools, Forging Tools, Pressure Die Casting Tools, Jigs & Fixtures
4. Industry sponsored projects in the Design & Development of Electrical, Electronic & Process Control Instruments & Transducers. Know how available may be transferred to interested party either on exclusive or non-exclusive basis.
5. Technical Training for wide range of professionals in numerous disciplines of Instrumentation.
6. To conduct market research and development of the products for domestic and export market
7. To establish library - cum - documentation Centre.
8. To identify and promote ancillary industrial units for the large / medium entrepreneurs in the region.
9. To provide Technical Consultancy in various aspects of Instrumentation.
10. To train personnel in the areas of electronics, IT, including emerging technologies.

Few of the centres are -

- Circle Telecom Training Center - Kolkata under Bharat Sanchar Nigam Limited.
- Electronics Service & Training Center - Ramnagar
- Institute for Design of Electrical Measuring Instruments, Mumbai

IV Khadi And Village Industries Commission (Ministry Of Micro, Small And Medium Enterprises, Govt Of India)

Cottage & small-scale industries

During the three decades of planned development there has been an impressive development of large-scale industries, but India still remains predominantly a country of village and small industries. Cottage and small-scale industries are scattered over the whole country and they cover a wide range of traditional and modern small-scale industries including handloom, khadi, power loom, sericulture, coir, handicrafts, village industries and mechanized small-scale industries.

Cottage and small-scale industries include four categories of industries, viz. (a) village industries, (b) cottage industries, (c) tiny-industries, and (d) small-scale industries.

The glorious past of cottage industries is well known. We had flourishing cottage industries in early times, many of them having wide markets abroad. As the Industrial Commission observed in its report (1918) "At a time when the West Europe, the birth place of the modern industrial system, was inhabited by uncivilized tribes, India was famous for the wealth of her rulers and for the high artistic skill of her craftsmen" The skill of the Indians in the production of delicate women's fabrics, in the mixing of colours, the working of

metals and precious stones, the preparation of essences and in all manners of technical arts has, from very early times, enjoyed a world-wide acclaim. The muslin of Dacca, the shawls and carpets of Kashmir, the silk clothes of Delhi and Agra, the marble work of Jaipur and the velvets of Lucknow are a few products for which the people have been crazy.

Decline of the Industry

But all these glories have now become things of the past. The decline of these industries began in the third decade of the 19th century. The main causes of decline were (a) the industrial revolution in England and competition with mill-made goods, (b) alien rule and restrictive measures on the import of Indian goods into England, (c) disappearance of the demand of the products of cottage industries by Kings and Nawabs as their courts came to an end, (d) No liking for indigenous products by the newly-rising affluent class, and (e) deterioration in the quality of Indian products themselves.

Action taken by Government to promote the industry

After independence, it was realized that the development of these industries is essential for the overall progress of the country. Therefore, the government gave a due attention in the plans and paid particular attention towards

1. Promoting employment.
2. Producing saleable articles.
3. Creating self-reliance amongst the less privileged and building up of a strong rural community spirit.

Steps towards development of Khadi and Village industries (KVI)

1. Building up of a reserve of raw materials and implements for supply to producers, creation of common service facilities for processing of raw materials as semi-finished goods and provision of facilities for marketing of KVI products.
2. Encouraging and promoting research in the production techniques and equipment employed in the Khadi and Village Industries sector
3. Guiding them through supply of designs, prototypes and other technical information.
4. Providing facilities for studying the problems relating to it like the use of non-conventional energy and electric power with a view to increasing productivity etc.
5. Providing financial assistance to institutions and individuals.
6. The development of Khadi and other village industries in the rural areas
7. The KVIC is authorized to establish and maintain separate organizations for the purpose of carrying out any or all of the above matters besides carrying out any other matters incidental to its activities.
8. To ensure genuineness of the products and to set standards of quality

9. To promote the sale and marketing of khadi and/or products of village industries or handicrafts
10. Training to the artisans engaged in these industries and encouragement of co-operative efforts amongst them.
11. Undertaking the issues of Khadi and/or village industries besides research or establishing pilot projects for the development of Khadi and village industries.

V Coir Board

Coir Board is a statutory body established by the Government of India under a legislation enacted by the Parliament namely Coir Industry Act 1953 (45 of 1953) for the promotion and development of Coir Industry in India as a whole.

Functions of the Board: -

1. Advising on all matters relating to the development of the coir industry
2. Collecting statistics from manufacturers of, and dealers in, coir products and from such other persons as may be prescribed, on any matter relating to the coir industry, the publication of statistics so collected or portions thereof or extracts therefrom
3. Ensuring remunerative returns to producers of husks, coir fibre and coir yarn and manufacturers of coir products
4. Fixing grade standards and arranging when necessary for inspection of coir fibre, coir yarn and coir products
5. Improving the marketing of coconut husk, coir fibre, coir yarn and coir products in India and elsewhere and preventing unfair competition
6. Licensing of renting places and warehouses and otherwise regulating the stocking and sale of coir fibre, coir yarn and coir products both for the internal market and for exports
7. Promoting cooperative organization among producers of husks, coir fibre and coir yarn and manufacturers of coir products
8. Promoting exports of coir yarn and coir products and carrying on propaganda for that purpose
9. Setting up or assisting in the setting up of factories for the producers of coir products with aid of power
10. Undertaking, assisting or encouraging scientific, technological and economic research and maintaining and assisting in the maintenance of one or more research institutes

VI Fragrance & Flavour Development Center (FFDC), U.P.

Fragrance & Flavour Development Centre (FFDC) has been set-up in the year 1991 by Government of India with the assistance of UNDP / UNIDO and Government of Uttar Pradesh.

Facilities available with FFDC in various divisions:-

- 1 Application of Fragrances in end products.
- 2 Consultancy Services.
- 3 Creation of Fragrances & Flavours for various end uses.
- 4 Field Surveys and Feasibility Studies.
- 5 Production/Processing Facilities on Job work /Loan Basis.
- 6 Quality Assurance & Analytical Services.
- 7 Sale of Essential Oils and its Fractions resultant to development and training.
- 8 Supply of planting materials/seeds.
- 9 Training in various disciplines of essential oil and perfumery industry.

Objectives of FFDC:-

1. Main objective of the centre is to serve, sustain and upgrade the status of farmers and industry engaged in the aromatic cultivation and its processing, so as to make them both in local and global market.
2. It aims to serve as an interface between essential oil, fragrance & flavour industry and the R & D institutions both in the fields of Agro-technology and chemical technology.
3. To serve, sustain and upgrade the status of farmers and industry engaged in the aromatic cultivation and its processing, so as to make them competitive both in local and global market by :
 - Assisting in adoption of agronomical practices to introduce aroma-bearing plants of higher yields.
 - Providing guidance on Post-harvest technology, storage, packaging, sampling and marketing.
 - Providing testing and quality control services for raw materials and products.
 - Providing complete application development equipped completely with all facilities for creation of fragrances and flavours.
4. Establishing information and documentation services to cater to the industry needs and to bring latest developments to their notice.

VII The National Manufacturing Competitiveness Council (NMCC)

The National Manufacturing Competitiveness Council has been set up by the Government to provide a continuing forum for policy dialogue to energize and sustain the growth of manufacturing industries in India.

The NMCC is expected to suggest various ways and means for enhancing the competitiveness of manufacturing sector including identification of manufacturing sectors which have potential for global competitiveness; current strengths and constraints of identified sectors, and recommend National level industry/sector specific policy as may be required for augmenting the growth of manufacturing sector.

Since 1991, the Indian economy is being progressively liberalized and its integration to the global economy is deepening. On one hand the liberalization and globalization have provided unprecedented opportunity for the growth and expansion of the industry in general and the manufacturing in particular. On the other hand the Indian industry has not only faced stiff competition from free imports but also to continue its efforts to grow its export capability through competitiveness. There is a continuous need to benchmark the Indian manufacturing sector against the best in the world and to enhance competitiveness of the manufacturing sector.

The area to be covered by the NMCC is very vast. In essence it covers the entire gamut of Indian Economy and its competitiveness. It is difficult to divide the operations and deal with Manufacturing and Services as separate compartments, as both are interlinked in many ways. The NMCC is, therefore, looking into all the aspects that affect growth of manufacturing including the increasing need for employment opportunities.

Role of NMCC

1. Adoption of global best practices in manufacturing
2. Creating conditions for investment and growth of the manufacturing sector
3. Employment generation
4. Enhance Government focus on manufacturing competitiveness
5. Entrepreneurship promotion
6. Evolving sector specific strategies for enhancing competitiveness of manufacturing sector
7. Identification of manufacturing sectors, which have potential for global competitiveness, problems and constraints in such sectors with respect to structure and size of industry, technology gaps, modernization needs etc.
8. Infrastructure development
9. Innovation and technology development through planned R&D
10. Resolve Issues relating to competitiveness in small and medium industries
11. Lowering the cost of manufacturing
12. Providing forum for dialogue between the public and private sectors, labour and academic sectors.
13. Recommending measures to create common infrastructure and facilities such as for testing, quality, design, HRD, skills, training etc. and
14. Creating right market framework, competition and regulation thereof
15. Sectorial and enterprise level initiatives
16. Strengthening education and training at all levels
17. Stabilising trade and fiscal policies

D. Industry Associations

There are a variety of associations, which help and encourage the cause of industry. These associations provide support and strength to the entrepreneurs and the organizations they setup. Additionally, industry association networks are crucial in steering government policy and action as well.

I National Bank for Agriculture & Rural Development (NABARD)

As an apex bank involved in refinancing credit needs of major financial institutions in the country engaged in offering financial assistance to agriculture and rural development operations and programmes, NABARD has been sharing with the Reserve Bank of India certain supervisory functions in respect of cooperative banks and Regional Rural Banks (RRBs).

NABARD is the apex institution in the country, which looks after the development of the cottage industry, small industry and village industry and other rural industries. The Committee to review arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD), set up by the Reserve Bank of India (RBI). It was established on 12 July 1982 by a special act by the parliament and its main focus was to uplift rural India by increasing the credit flow for elevation of agriculture and rural non-farm sector. It has been responsible for “matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India”. RBI sold its stake in NABARD to the Government of India, which now holds 99% stake.

Role of NABARD –

NABARD reaches out to allied economies and supports and promotes integrated development.

1. Co-ordinates the rural financing activities of all institutions engaged in developmental work at the field level and maintains liaison with Government of India, State Governments, Reserve Bank of India (RBI) and other national level institutions concerned with policy formulation
2. Keeps a check on its client institutes
3. Provides training facilities to the institutions working in the field of rural upliftment.
4. Refinances the financial institutions, which finance the rural sector
5. Regulates the cooperative banks, and manages talent acquisition
6. Regulates the institution, which provides financial help to the rural economy
7. Serves as an apex financing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas

8. Takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel etc.
9. Undertakes monitoring and evaluation of projects refinanced by it

II Laghu Udyog Bharati (LUB)

Laghu Udyog Bharati (LUB) is an all India organization with branches in all the states of our country with persons of eminence associating them

Objectives:

1. To address the grievances of Micro and Small industries
2. To arrange 'buyer and seller' meet, participate in Trade Fairs and Exhibitions for better product exposure
3. To assist them to expand their marketing areas and to get them better value for their products
4. To create a spirit of 'SWADESHI' among the entrepreneurs
5. To create an organized, strong, progressive organization which holds national interest while providing solutions to small and medium scale entrepreneurs
6. To educate and to create awareness of new management systems and technological up gradation
7. To emphasize the importance of quality of the product
8. To extend co-operation and rehabilitate sick industries in Micro and Small Scale Industries sector
9. To guide & motivate new entrepreneurs and assist them in overcoming their problems
10. To organize Vendor Development Program from Large and Medium scale industries and also from Public Sector Units
11. To publish "Industrial Spectrum" a monthly magazine by LUB Karnataka focusing on MSME's achievements, concerns, upcoming events etc.
12. To represent the problem of Micro and Small Scale Industries before various Government bodies

III Federation of Indian Chambers of Commerce & Industry (FICCI)

The Federation of Indian Chambers of Commerce and Industry (FICCI) is an association of business organizations in India. Established in 1927, on the advice of Mahatma Gandhi by GD Birla and Purushottam Das Thakurdas. It is the largest, oldest and the apex business organization in India. It is a non-government, not-for-profit organization. FICCI draws its membership from the corporate sector, both private and public, including SMEs and MNCs. The chamber has membership of over 2,50,000 companies from various regional chambers of commerce. It is involved in sector specific business policy consensus building, and business promotion and networking. It is headquartered in the national capital New Delhi and has presence in 11 states in India and 8 countries across the world.

Role of FICCI:

1. Arranges business education and technical education.
2. Arranges seminars, conferences and workshops on subjects of importance to business community
3. Assists government in achieving socio-economic goals of eradicating poverty and increasing employment opportunities
4. Assists members in export promotion, modernization, quality control, pollution control etc.
5. Creates conditions for the globalization of the Indian economy
6. Offers advice and suggestions on management and quality improvement so as to improve competitive strength of Indian industry
7. Promotes healthy interface between business community and the government
8. Promotes scientific research, import substitution, and fullest possible utilization of national resources
9. Provides library facilities to members
10. Publishes periodicals for dissemination of information useful to business community
11. Resolves differences and disputes among members through arbitration
12. Sends trade delegations abroad to explore foreign investment and assists in negotiating bilateral trade agreements
13. Undertakes economic research and encourages scientific research useful for the development of industry and commerce
14. Works for deregulation of the economy by persuading the government to lift administrative and other controls

Thus, FICCI is making outstanding contribution in the fields of export promotion, commercial arbitration, business legislation, research, infrastructural development, etc., for the protection and promotion of business interests.

IV Confederation of Indian Industry (CII)

The history of CII is the story of the transformation of a miniscule associations, representing a small segment of industry, to the premier business association of modern India.

The journey began in 1895 when 5 engineering firms, all members of the Bengal Chamber of Commerce and Industry, joined hands to form the Engineering and Iron Trades Association (EITA). Those were.

- Association of Indian Engineering Industry (AIEI)
- Confederation of Engineering Industry (CEI)
- Engineering and Iron Trades Association (EITA)
- Engineering Association of India (EAI)

Primary goal of CII is to develop Indian industry and to ensure that government and

society as a whole, understand both the needs of industry and its contribution to the nation's well being.

Objectives of CII :-

1. To act as a catalyst in bringing about the growth and development of Industry
2. To create awareness and support industry's efforts on quality, environment, energy management, and consumer protection
3. To identify and address the special needs of the small sector to make it more competitive
4. To identify and strengthen industry's role in the economic development of the country
5. To promote cooperation with counterpart organizations
6. To provide up-to-date information and data to industry and government
7. To reinforce industry's commitment to society
8. To work towards the globalization of Indian industry and integration into the world economy

Adopting a proactive and partnership approach to do this with the government on various national and international issues concerning the Indian economy. It closely interacts on policy issues at both the central and state levels. Extensive dialogue and interaction with members and all sections of the community to build consensus.

V Associated Chambers of Commerce and Industry of India (ASSOCHAM)

ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 300 Chambers and Trade Associations, and serving more than 4 lakh members from all over India. It has witnessed upswings as well as upheavals of Indian Economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country. Today, ASSOCHAM has emerged as the fountainhead of Knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'.

ASSOCHAM has 60 Expert Committees covering the entire gamut of economic activity in India. It has been especially acknowledged as a significant voice of Indian industry in the field of Information Technology, Biotechnology, Telecom, Banking & Finance, Company Law, Corporate Finance, Economic and International Affairs, Tourism, Civil Aviation, Corporate Governance, Infrastructure, Energy & Power, Education, Legal Reforms, Real Estate & Rural Development etc.

Role of ASSOCHAM

- 1 Addressed itself to the key areas like India as Investment Destination, Achieving International Competitiveness, Promoting International Trade, Corporate

Strategies for Enhancing Shareholders & Stakeholders Value, Government Policies in sustaining India's Development, Infrastructure Development for enhancing India's Competitiveness, Building Indian MNCs, Role of Financial Sector the Catalyst for India's Transformation

- 2 ASSOCHAM International is focused on Afro-Arab region to assist Indian SME's to expand share of their global market. Successful Indian Trade Fairs in Sudan, Sharjah and Yemen received wide appreciation, more are being planned. Huge trade delegations to Brazil, US, UK, West Africa, China, Pakistan, opening overseas offices in Sharjah, Moscow, China, MOU partnership with business Chambers in more than 45 countries, bringing out Economic and Trade bulletins on Africa and Arab region
- 3 Authorized by the Government of India to issue Certificates of Origin, Certify commercial invoices and recommend business visa
- 4 Creating Knowledge for Competitive Advantage
- 5 Generating Consensus on Core Issues like Wealth Maximization, Mergers and Acquisitions, Nanotechnology and Biotechnology, BPO & KPO, VAT, Corporate Governance, Renewable Energy, Public Private Partnership etc
- 6 Insight into 'New Business Models' ASSOCHAM has been a significant contributor in the emergence of new-age Indian Corporates, characterized by a new mindset and global ambition for dominating the international business.
- 7 Providing Road Map for Pragmatic Growth
- 8 Specialized Services like Nurturing Ideas to Catalyzing Growth
- 9 Strongly urges the policy makers, business houses/ entrepreneurs and students (the future of India) to grasp the golden opportunity of leading the country in completing times
- 10 Working towards creating conducive environment for Indian business to compete globally

The Chamber is being re-engineered to shoulder the responsibility of serving its constituents even more effectively and its expertise as a professional body to set itself apart as a Chamber with a difference.

VI Federation of Indian Micro, Small & Medium Enterprises (FISME)

Federation of Indian Micro & Small and Medium Enterprises (FISME), though established in the year 1995, traces its origin to 1967 when the National Alliance of Young Entrepreneurs (NAYE) was established to promote small industries. In the pre – liberalized era (prior to 1991), the agenda of an interventionist and highly protectionist India was adequately met by NAYE. However, post liberalization (after 1991), India needed to adopt a different approach for the promotion of Small and Medium Enterprises (SME). Subsequently, in the year 1995, NAYE along with eight state level associations formed FISME to lead SME in the refurbished economic environment.

The national and global changes in the post-liberalized era have shaped FISME's twin objectives of:

1. Promoting entrepreneurship and facilitating the creation of a competitive environment in the country
2. Improving the market access for Indian Micro & Small and Medium Enterprises (MSME's) in India and abroad.

Main activities

- Networking and Training –FISME regularly organize focused seminars, B2B meetings both within and outside the country, trade delegations to foreign countries, extend hand-holding support to members etc.
- Research and Publication – They are continuously involved in research work and strive to apprise members and partner associations on various trade related issues that attract attention from time to time.

VII World Association for Small and Medium Enterprises (WASME)

World Association for Small and Medium Enterprises (WASME) – a global non-governmental organization headquartered at Noida, India. It has been spearheading the cause and development of Small and Medium Enterprises (SMEs) world over since its inception in 1980. It has emerged, over the years, as one of the most representative, effective and leading international organizations, working towards the promotion of SMEs. The vision behind establishment of WASME was to build a world private community of small businesses, their supporting and financial institutions as a non-governmental organization, not influenced by any government(s).

WASME has members, associates and network partners in different countries across the world. It enjoys consultative/ observer status with concerned agencies in UN system such as ECOSOC, UNCTAD, WIPO, UNIDO, UNICITRAL, UNESCAP, ITC and ILO. It also cooperates actively with several intergovernmental and international organizations such as WCO, OECD, ICSB, APCTT, etc.

WASME has Permanent Representatives at important stations. WASME works closely with SME Experts located in different parts of the world designated as Senior Advisors in specific disciplines. WASME is managed by a competent staff supplemented by pool of experts specialized in Information services, Human Resources Development, Economic Research, Marketing, Finance, Technology Transfer, Rural Development and related subjects. It functions from its own premises in a green belt in Noida – a cluster of SMEs – on the outskirts of New Delhi.

Activities

Consistent with its objective of fostering and coordinating international co-operation and networking for promotion of small and medium sized enterprises (SMEs), major activities of WASME include:

- 1 Bringing out fortnightly “SME e-Bulletin”, “Circulars” on topical issues & SME events, and “WORLD SME NEWS: A bi-monthly WASME News Magazine” featuring developments in SME sector around the world and publishes articles of interest to SME sector, which is regularly distributed to WASME members, relevant UN agencies, international non-governmental organizations and other concerned stakeholders
- 2 Conducts trade- specific entrepreneurship development programs for the benefit of educated unemployed
- 3 Continuous backing to SMEs
- 4 Contributing actively to the deliberations at various expert group meetings and workshops convened by various UN agencies
- 5 Facilitating participation in trade fairs and exhibitions. Invites its Members and associates to participate in various international and regional events and conferences, which are of direct interest to them
- 6 Facilitating technology transfer, establishment of marketing linkages, and helps in forging cooperation amongst enterprises of industrialized, developing and the less developed countries and of economies in transition to market economy.
- 7 Organizing annual international conferences, seminars, symposia and workshops on MSMEs are organized
- 8 Promoting rural micro-enterprises by organizing rural entrepreneurship development programme
- 9 Provides follow up escort services to facilitate the trainees to set up their own small business projects with confidence and requisite managerial competence and capability; and provides counseling and consultancy services
- 10 Sensitizing on IPRs, WTO and related issues
- 11 The trainings division of WASME looks after the training and capacity building needs of SMEs and their support institutions, especially in rural and underdeveloped areas
- 12 Undertaking research, studies and consultancy assignments

VIII India Trade Promotion Organisation (ITPO)

India Trade Promotion Organisation (ITPO), the premier trade promotion agency of Govt. of India for organizing trade fairs, is committed to showcase excellence achieved in the country in diverse fields especially in trade and commerce. For nearly three and half decades, it is managing India's world-class exhibition complex that is constantly upgraded to keep it in a high standard of readiness.

Activities & Services offered

1. Arranging product displays for visiting overseas buyers
2. Assisting Indian companies in product development and adaptation to meet buyers' requirements

3. Conducting in house and need based research on trade and export promotion
4. Encouraging small and medium scale units in export promotion efforts
5. Enlisting the involvement and support of the State Governments in India for promotion of India's foreign trade
6. Establishing durable contacts between Indian and Overseas buyers
7. Managing the extensive trade fair complex, at Pragti Maidan in the heart of Delhi and also others centres in India and also abroad
8. Organizing Buyer- Seller Meets and other exclusive India shows with a view to bringing buyers and sellers together
9. Organizing India Promotions with Department Stores and Mail Order Houses abroad
10. Organizing seminars/conferences/workshops on trade related subjects
11. Participating in overseas trade fairs and exhibitions
12. Timely and efficient services to overseas buyers in vendor identification, drawing itineraries, fixing appointments and even accompanying them when required
13. Trade information services through electronic accessibility at Business Information Centre

IX National Science & Entrepreneurship Development Board (NSTEDB)

Technology Innovation Management and Entrepreneurship Information Service (TIME IS), a joint project of National Science and Entrepreneurship Development Board (NSTEDB), Department of Science & Technology, GOI and FICCI is now one of the credible ladder towards the enhancement of India's entrepreneurial economy.

The National Science & Technology Entrepreneurship Development Board (NSTEDB), established by Government of India in 1982 is an institutional mechanism, with the broad objective of promoting gainful self-employment amongst Science and Technology (S&T) manpower in the country and to setup knowledge based and innovation driven enterprises.

The project has taken initiatives to provide guidance and assistance to the entrepreneurs especially the techno-preneurs to find technologies, projects, funding options and information about policy, incentive schemes and industrial infrastructure available in the country covering both the central and state government and have become proficient at tapping the local talent pool.

Help Desk Services are also provided to registered members to assist them in finding out solutions to their queries related to Technology, Finance and Management.

NSTEDB functions under the aegis of Department of Science & Technology. It has representation from socio-economic and scientific Departments / Ministries, premier entrepreneurship development institutions and all India Financial Institutions.

Objectives of NSTEDB are:

1. To act as a policy advisory body to the Government agencies for S&T based entrepreneurship development
2. To facilitate entrepreneurs with “Online Interactive Tools and Templates” for developing ‘Project Profile’, ‘Feasibility Reports’, calculating ‘Financial and Profitability Ratios’ and estimating the ‘Market Potential’
3. To facilitate generation of entrepreneurship and self-employment opportunities for S & T persons
4. To facilitate the information dissemination
5. To generate employment through technical skill development using S & T infrastructure
6. To network with various Central & State Government agencies for S&T based entrepreneurship development
7. To promote knowledge based and innovation driven enterprises

The Programmes conducted by NSTEDB have created awareness among S&T persons to take up entrepreneurship as a career.

X Asian and Pacific Centre for Transfer of Technology (APCTT)

APCTT is a regional institution of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) servicing the Asia-Pacific region. The Centre was established in 1977 in Bangalore, India. In 1993, the Centre moved to New Delhi, India.

Objectives of APCTT

To strengthen the technology transfer capabilities in the region and to facilitate import/export of environmentally sound technologies to/from the member countries.

Functions of APCTT

1. It implements development projects funded by international donors aimed at strengthening the environment for technology transfer among SMEs in Asia and the Pacific. In this respect the Centre makes special efforts to encourage more participation of women in the field of technology
2. It promotes transfer of technology to and from small- and medium-scale enterprises (SMEs) in Asia and the Pacific
3. It undertakes consultancy assignments in various technology transfer related areas (institution building, human resources development, studies, business partnership development)

The activities of APCTT are thus focused on three specific areas:

- 1 Science Technology and Innovation,
- 2 Technology Transfer and
- 3 Technology Intelligence.

The emphasis is on technologies such as renewable energy, biotechnology and nanotechnology, which have high growth potential and can address the collective challenges of the region.

APCTT is a United Nations regional institution under the Economic and Social Commission for Asia and the Pacific (ESCAP).

E International Organisations

Similar to national industry and sector based networks, higher responsibility lies with global associations which chart out the developmental role to be played by various international governments while forming their trade & industry policies.

- Canadian International Development Agency
- Department for International Development, UK
- European Commission - Enterprise & Industry
- Innovation - SMEs
- International Network for SMEs
- Ministry of Economy, Mexico
- Small and Medium Enterprise Development Authority, Pakistan
- Small and Medium Enterprises Development, Washington, USA
- Small and Medium Enterprises in Ireland
- Small and Medium-sized Enterprise Center, Canada
- SME Centre, Hong Kong
- SME Information of Japan
- Swedish International Development Agency
- United Nations Industrial Development Organization
- WIPO Small and Medium-Sized Enterprises
- World Trade Centre, Mumbai
- World Trade Organisation

F. Non-Governmental Initiatives Towards Promoting Entrepreneurship

I. Wadhwani Foundation:

Founded in 2003 by Dr. Romesh Wadhwani, an IIT-Bombay alumnus with an M.S and Ph.D. from Carnegie Mellon University and an IT entrepreneur in Silicon Valley, California. Romesh is the Founder-Chairman of the \$3 billion Symphony Technology Group.

The Wadhwani Foundation is a not-for-profit organization focusing on high impact, niche activities leading to accelerate economic development. It's mission is to help individuals achieve their full potential, regardless of their background.

During the last decade, Wadhwani Foundation has launched five major initiatives in India to address job creation and skill development & works in India on five specific initiatives:

- NEN –National Entrepreneurship Network
- SDN - Skill Development Network
- OND – Opportunity Network for Disabled
- RIN - Research and Innovation Network was initiated in 2009 at IIT Mumbai.
- India-US Policy - To focus on improving Indo-US bilateral Relations, both at the Center for Strategic and International Studies (CSIS), Washington DC and at the Indian Council for Research on International Economic Relations (ICRIER), New Delhi.

About NEN – With the help of its **National Entrepreneurship Network (NEN)**, the Foundation facilitated the setting up of over 700 companies in fiscal year 2012-2013. Over 500 institutes work with NEN and reach over 500,000 students every year. 100,000 students join the Wadhwani Foundation Entrepreneur Cell on campus every year.

The nonprofit National Entrepreneurship Network was established in 2003 with a mission to create and support high-growth entrepreneurs, driving job-creation and economic growth in India.

NEN represents India's largest and most dynamic community of new and future high-growth entrepreneurs, with over 70,000 members in 30 cities. It provides critical support to start-ups and early-stage entrepreneurs through high-impact entrepreneurship education, access to mentors and experts, fast-track access to incubation and funding and learning tools and materials. It partners with over 470 top-tier academic institutes in India to help them develop vibrant entrepreneurship ecosystems on campus, which develop and support new and future entrepreneurs. In addition, it runs Entrepreneurship Week India, the country's largest entrepreneurship-awareness campaign. In 2009, E Week India featured over 3500 events with more than 350,000 participants.

NEN was co-founded by IIT Bombay; IIM Ahmedabad; BITS, Pilani; SP Jain Institute of Management & Research, Mumbai; Institute of Bioinformatics and Applied Biotechnology, Bangalore.

2,00,000 registered members on www.nenonline.org, forming India's largest and most vibrant entrepreneurial community online.

On October 7, 2013, Wadhwani Foundation announced the launch of its initiative, 'Race to a Job' (RTAJ), in India. RTAJ is based on the premise that traditional skill-generating methods will not be enough to mobilize skill-sets required to harness India's demographic dividend. It will transform how skill development happens by accelerating the classroom to drive learner centric models, engage students through videos, games, simulations and

peer activities and enable massive deployment through an anytime, anywhere technology platform.

RTAJ will focus on 4 key strategies:

- Revolutionizing skill education through technology
- Encouraging innovative models of marrying key local industry to training providers
- Leveraging existing network of educational and industry
- Empower students to develop competencies autonomously and real jobs to drive learning

Wadhvani Foundation is committed to working with the government to help youth to achieve this goal.

II. Centre for Innovation, Incubation & Entrepreneurship (CIIE):

Centre for Innovation, Incubation and Entrepreneurship was setup at the Indian Institute of Management Ahmedabad (IIMA) with support from Gujarat Government and Department of Science and Technology (Government of India) to promote innovation and entrepreneurship in India. Experience and expertise at IIMA in the areas of management, innovation, technology networks along with entrepreneurship provide the necessary impetus and intellectual basis for this initiative.

They comprise of faculty, alumni and students of IIMA, mentors and service providers from the industry who span a variety of functional areas, sectoral domains and geographies and are passionately committed to help breakthrough innovations and aspiring entrepreneurs succeed commercially.

They enable most of what may be required by entrepreneurs through seed-funding, incubation, mentoring, training, knowledge dissemination and best practice research.

Apart from incubating and investing in over 50 innovative ventures across the high-tech sector, CIIE has taken up several initiatives to strengthen India's entrepreneurial ecosystem by providing mentoring, financial and knowledge inputs.

III. Economic Times Initiative - 'The Power Of Ideas'

The Power of Ideas is the intellectual property of The Economic Times, India's leading business daily. In a unique three-way public-private-academic partnership, ET has joined hands with the Department of Science and Technology (Govt of India) and Ahmedabad's CIIE (Center for Innovation, Incubation and Entrepreneurship) to create a formidable force that champions the cause of entrepreneurial culture in India Inc. by leveraging on the Government's efforts to encourage innovation and CIIE's demonstrated experience in mentoring and incubating start-ups.

The Power of Ideas is an initiative by The Economic Times to encourage anyone and everyone with a business idea to realize his entrepreneurial dream. Ideas will be polished and nurtured with personalized guidance from mentors before being submitted to investors. Deserving ideas will receive cash grants and seed funds.

The Indian Institute of Management's Centre for Innovation, Incubation and Entrepreneurship (CIIE) has been assigned with the task of assessing the Business Summaries, Elevator Pitches, Business Plans, conducting the Start-up session, Mentoring and readying the deserving ideas by way of a ten days residential program at the Indian Institute of Management, Ahmedabad, for the presentation to the Jury of investors and investor interactions thereafter.

DST will reward and support the most innovative ideas through a cash corpus of Rs.6.2 crore as follows:

- 40 innovative business plans to receive cash grants of Rs. 5 lakh;
- 20 of the most innovative of the above-mentioned 40 will receive Rs. 20 lakh each as seed investment based on progress; and
- Cash grants of Rs. 2 lakh each for 10 good ideas

IV. NASSCOM Initiative

On 20th March 2013 IT-ITeS industry body NASSCOM has launched 10,000 startups aimed at incubating, funding and supporting technology start-ups in India over the next ten years. The website is www.10000startups.com.

The programme is partnered by Indian Angel Network and supported by Google, Microsoft and Verisign.

The initiative will focus on multifold activities aimed at fostering entrepreneurship, building entrepreneurial capabilities at scale and providing robust early stage support through incubation, mentorship and angel funding.

Supporting 10,000 Start-ups is their goal. They are committed to building a vibrant tech start-up ecosystem in India. To reach that goal, they have put together the best ingredients to make each story a success. They have partnered with some of the best incubators and accelerators in India. They have the leading edge of technology, they understand the changing market dynamics. The program offers early stage funding between Rs. 5 lakh to Rs. 2 crores and around 3-4 months of incubation, working space and access to potential investors, mentors among others.

Questions

1. Explain the role of Central Government & State Government in promoting Entrepreneurship in India?
2. Explain role of DIC for the promotion of Small Scale & Cottage Industries
3. What is entrepreneurship training?
4. Discuss the role and importance of the institutions in promoting, training and developing entrepreneurs in India / Discuss the role of entrepreneurship training institutes in nurturing ED culture.
5. Describe the contents of a typical E.D.P (Entrepreneurship Development Programmed) and its conduct.
6. Design a short Entrepreneurship development program for farmer.
7. Entrepreneurs are born and not trained comment on above with the reference to .E.D.P's
8. Short notes on
 - a. SIDO and its activities
 - b. NSIC and its schemes
 - c. SISI
 - d. SIDBI
 - e. Functions of MSFC
 - f. Role of NISBUED
 - g. Objectives of NEDB
 - h. Key roles of NSDC
 - i. Objectives of MSSIDC
 - j. Facilities provided by Central Footwear Training Institute
 - k. Steps towards development of Khadi and Village Industries
 - l. Functions of Coir Board
 - m. Aims and objectives of Fragrance & Flavour Development Centre
 - n. Role of NMCC
 - o. Role of NABARD
 - p. Objectives of Laghu Udyog Bharati
 - q. Role of FICCI
 - r. Objectives of CII
 - s. Role of ASSOCHAM
 - t. Activities and services offered by India Trade Promotion Organization
 - u. Major objectives of NSTEDB
 - v. Non-governmental initiatives towards promoting entrepreneurship

Quotes

If people like YOU they will listen to you, But if they TRUST YOU, they will do business with you. An entrepreneur is not someone

Effective communication is 20% what you know and 80% how you feel about what you know.

We do not need to attend classroom-training programs for everything.

Observation opens the windows of knowledge around us.

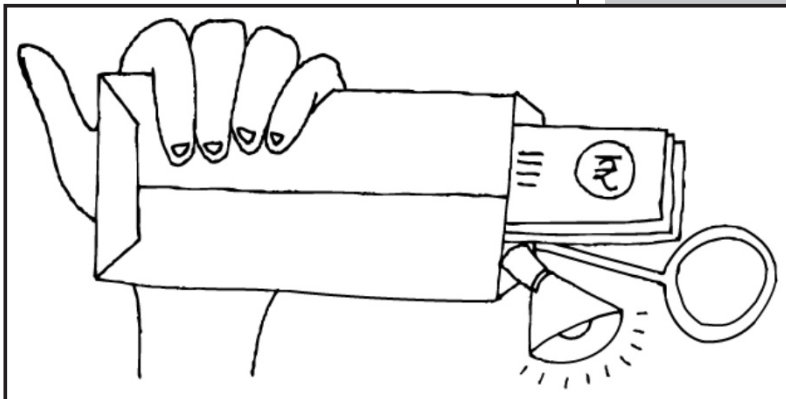
The golden rule for every business man is this:
'Put yourself in your customer's place.'

Success in business requires training, discipline and hard work.

Profit in business comes from repeat customers.

Success in business is about embracing the challenges and opportunities with an intelligent mix of passion, purpose and execution.

Without continual growth and progress, such words as improvement, achievement and success have no meaning.



INCENTIVES,
SUBSIDIES & IMPORT
EXPORT BUSINESS
FORMALITIES

INCENTIVES, SUBSIDIES & IMPORT EXPORT BUSINESS FORMALITIES

- A. Incentives & Their Patterns, Need, Types & Categories**
- B. Major Incentives Schemes to Support MSMEs**
- C. Subsidies- Forms, Effects, Benefits**
- D. Procedure For Getting Contract From Government**
- E. Import Export Business - Benefits & Procedure**
- F. Incentives & Facilities to Exporters**

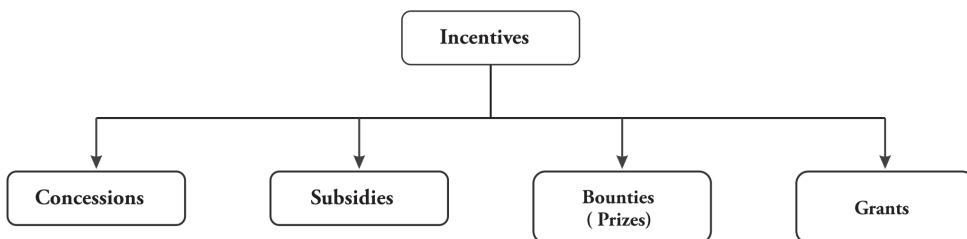
A. Incentives & Their Patterns

Entrepreneurs in India are offered a number of incentives for their strategic contribution to economic development.

- Firstly, they facilitate the decentralization of economic power by encouraging prospective entrepreneurs to take up industrial ventures and assist in the dispersal of industries over India's geographical area.
- Secondly, they facilitate the transformation of traditional technology, which is characterized by low skill, low productivity and low wages, into a modern technology, subsequently characterized by improved skills, high productivity, rising wages and a higher standard of living.

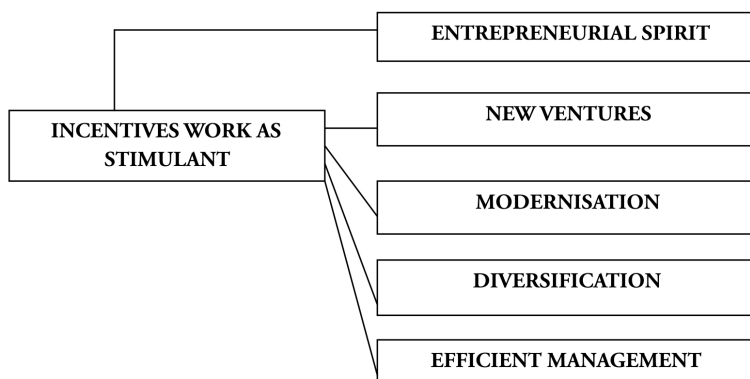
They serve as a catalyst to start a dynamic process of development. They also influence the convenient location of enterprises and contribute to regional distribution and development.

Pattern of incentives



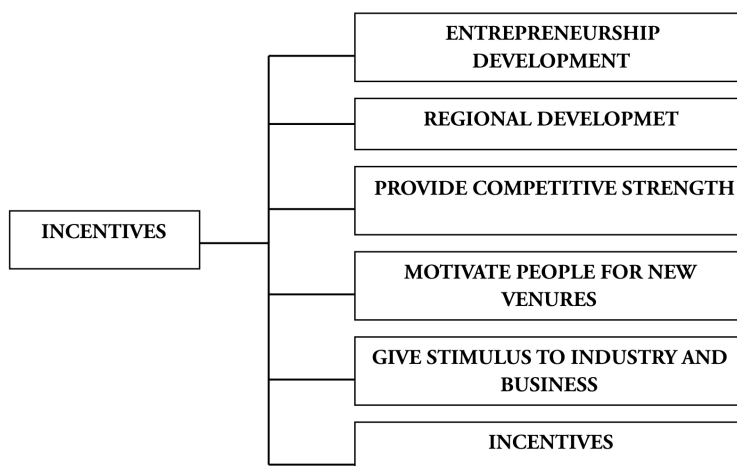
Incentives The term ‘incentive’ means encouraging productivity. It is a motivational force, which helps an entrepreneur to take a right decision and act upon it. Broadly, incentives include concessions, subsidies, bounties & grants. Economic incentives – both financial and non-financial – push an entrepreneur towards clear decision and action.

Incentives as a Motivational Force



Need for Incentives

1. To correct regional imbalance in development
2. To promote entrepreneurship by removing economic constraints
3. To provide competitive strength, survival and growth



Types of Incentives

1. Fiscal Incentives

- Tax concessions - exemptions, rebates, refund or deferment of direct or indirect taxes.
- Incentives for Exports including duty drawbacks
- Exemption and preferential treatment from Excise duties,
- Exemption from Sales Tax,

- Other incentives
 - o Capital investment subsidy
 - o Transport subsidy
 - o Creation of tax free zones

2. Financial Incentives

- Seed capital
- Credit on priority
- Cash assistance
- Concessional finance assistance
- Technology Up-gradation Fund Scheme for Textile Industry
- Venture capital funds for software and IT industry
- Credit Guarantee Scheme
- Micro Finance

3. Promotional Schemes

- Reservation of items for exclusive manufacture in the SSI Sector
- Enhancement of investment limit, for export-oriented / high-tech items reserved for manufacture in SSI Sector to Rs. 5 crores from Rs. 1 crore.
- Price and purchase preference scheme
- Protection from competition
- Items of stores reserved for exclusive purchase
- Foreign Direct Investment
- Infrastructural facilities
- Industrial growth centres
- Export Processing Zones
- Industrial Parks
- Integrated Infrastructure Development Centres
- Cluster Development Programme
- National Programme for Rural Industrialization

4. Organizational Support

- Consultancy
- Training
- Testing and Tool room facilities
- Workshops and Seminars
- Research and Development (R&D)
- Industrial motivation campaigns
- Marketing Support
- National Award for Small Scale Entrepreneur
- Technology business incubators

- Technical assistance through industrial extension service;
- Assistance for obtaining raw materials;
- Supply of machinery on hire-purchase basis;
- Technology assistance;
- Guidance on Pollution control

Advantages of Incentives

1. These act as a motivational force, which makes the prospective entrepreneurs to enter into manufacturing line.
2. They encourage the entrepreneurs to start industries in backward areas.
3. By providing subsidies and incentives the Government
 - Bring industrial development uniformly in all regions.
 - Develop more new entrepreneurs, which leads to entrepreneurial development.
 - Increase the capability of entrepreneurs to face competition successfully.
 - Helps small-scale entrepreneurs to compete.

Problems of Incentives

1. Empirical studies reveal that the incentives and subsidies are being highly misused.
2. Incentives and subsidies were used dishonestly.
3. These were misused for favouritism and rampant corruption
4. Unethical business practices. were used while using Incentives and subsidies which resulted in financial drain on the exchequer.
5. The real objectives of providing incentives, subsidies and assistance were hardly achieved.

B. Major Incentives Schemes to Support MSMEs

I. National Manufacturing Competitiveness Programme (NMCP), Technology up-gradation & Productivity Enhancement

- i) The objective was to support the Small and Medium Enterprises (SMEs) in their endeavor to become competitive and face the competitive pressure caused by liberalization and moderation of tariff rates.
- ii) Competitiveness is determined by the productivity with which a nation uses its human, capital and natural resources. Studies on global competitiveness for selected sectors of the industry have shown that among others, the factors inhibiting growth are:
 - a Inefficient use of resources resulting in poor product quality accompanied by hidden high cost due to rejection and re-work in the course of manufacturing which led to building up inventory at various stages in the form of raw materials, work-in-progress, finished components, finished products etc.

- b This calls for improving competitiveness by boosting performance of firms by systematically identifying and eliminating wastes throughout the entire business cycle by applying appropriate managerial and technological practices.
- iii) In general MSMEs lack in accessing technology due to poor consultancy support/ services for technological information, non availability of skilled man power, lack of awareness among entrepreneurs about emphasis on increasing production and reducing production costs, lack of managerial skills and poor adaptability to changing trade, trends, etc.
- iv) For technology up-gradation provides capital subsidy and other assistance to strengthen the MSEs. The Schemes covered under Technology up-gradation & Productivity Enhancement also help MSEs to face the challenges of liberalization & globalization.
- v) Quality Upgradation/Environment management for small scale sector through incentive for ISO 9000 /ISO 14001 /HACCP Certifications
In order to enhance the competitive strength of the small-scale sector, the Government introduced an incentive scheme for their technological upgradation/ quality improvement and environment management. The scheme provides incentive to those small scale/ ancillary undertakings who have acquired ISO 9000/ISO 14001/HACCP certifications. The scheme for ISO 9000 reimbursement is in operation since March 1994, has now been enlarged so as to include reimbursement of expenses for acquiring ISO 14001 certification also.
- vi) Credit Link Capital Subsidy Scheme is offered for Technology up gradation by providing 15% upfront capital subsidy (12% prior to 2005) on institutional finance up to Rs.1 crore availed of by them for induction of well-established and improved technologies in the specified sub-sectors/products approved under the scheme.
Under the scheme approximately 22000 units have availed subsidy of Rs. 1146 crore till 31 March 2013.

II. Access to Credit

Development Commission office of MSME facilitates credit support to MSEs through various schemes, operated through various financial institutions like SIDBI, NSIC and others. The details about credit scenario including main facilities / schemes operational under DC(MSME) are as below:-

- i) **Credit Guarantee Fund Scheme for MICRO AND SMALL ENTERPRISES**
- Collateral free, Credit facility
- ii) **Scheme of Micro Finance Programme** -Under the Scheme of Micro-Finance Programme, the following activities would be undertaken.
 - a **Arranging Fixed Deposits for MFIs/NGOs:** The MFIs/NGOs may avail

the loan from the SIDBI for further on lending on the support of the security deposit. The activities covered under the scheme are manufacturing, service sector and non-farming activities.

- b **Training and Studies on Micro-Finance Programme:** The Government of India would help SIDBI in meeting the training needs of NGOs, SHGs, intermediaries and entrepreneurs and also in enhancing awareness about the programme.
- c **Institution Building for 'Intermediaries' for identification of viable projects:** The Government of India would help in institution building through identification and development of 'intermediary organization', which would help the NGOs/SHGs in identification of product, preparation of project report, working out forward and backward linkages and in arranging marketing/ technology tie-ups. The SISIs would help in the identification of such intermediaries in different areas.

iii) **Trade Related Entrepreneurship Assistance and Development (TREAD) Scheme for Women** Entrepreneurs for their economic empowerment through trade related training, information and counseling extension activities related to trades, products, services etc.

III. Micro & Small Enterprises – Cluster Development Programme (MSE-CDP)

The Ministry of Micro, Small and Medium Enterprises (MSME), Government of India (GoI) has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) and their collectives in the country. Clustering of units also enables providers of various services to them, including banks and credit agencies, to provide their services more economically, thus reducing costs and improving the availability of services for these enterprises.

Scope of the scheme:

- Diagnostic Study
- Soft Intervention
- Setting up of Common Facility Centres (CFCs).
- Infrastructure Development (Up gradation / New)

Cost of Project and Govt of India Assistance:

- Diagnostic Study - Maximum cost Rs. 2.50 lakhs
- Soft interventions - Maximum cost of project Rs. 25.00 lakh, with Govt. of India contribution of 75% (90% for Special Category States and for clusters with more than 50% women/micro/village/SC/ST units).
- Hard interventions i.e. setting up of CFCs – maximum eligible project cost of Rs. 15.00 crore with GoI contribution of 70% (90% for Special Category States

and for clusters with more than 50% women/micro/village/SC/ST units) .

- Infrastructure Development in the new/ existing industrial estates/areas. Maximum eligible project cost Rs.10.00 crore, with GoI contribution of 60% (80% for Special Category States and for clusters with more than 50% women/micro/SC/ST units).

IV. Marketing Assistance

Marketing is key to the success of any enterprise and it is more relevant with regard to Micro, Small and Medium Enterprises (MSMEs). This sector is characterized by absence of strong brand presence in the market and also largely unorganized marketing network unlike large enterprises.

Govt. is implementing various schemes, which aim to provide a better competitive edge to the product of MSME sector in the market by tapping and developing overseas markets, increasing participation at International Trade Fairs/Exhibitions, to enhance export

i) Financial Assistance on Bar code

Bar codes are the series of black lines and white spaces printed on product packages or attached as tags, which you would have noticed on consumer products. Information on a product or a consignment like its item code or serial number, expiry date, consignor/ consignee etc., can be represented through such bar codes. When these bar codes are scanned using a scanner, it enables instantaneous data capture with 100% accuracy and at great speeds.

Bar Coding not only facilitates the exchange of information between buyers and sellers, but also provides the potential for better visibility and sharing of information across an entire Supply Chain.

Other benefits are-

- Automated data capture with 100% accuracy
- Real time stock management of raw materials and finished goods
- Fast and error free data recording on product/ consignment movement
- Easy integration with existing software, if any
- In compliance with growing requirements of leading national markets
- In line with requirements of international retailers &
- Also gives international look and feel.

Financial Assistance for Bar Code Certification

- Reimbursement of 75% of one-time registration fee.
- Reimbursement of 75% of annual fee (recurring) of Bar Code Certification for the period of first three years.

ii) Vendor Development Programme for Ancillarisation

Vendor Development Programmes (VDPs) are being organized by MSME

Development Institutes located in every corner of the country to provide common platform for business as well as selling organizations to inter-act with each other with a view to identifying emerging demands of the buyer organizations while simultaneously providing an opportunity for displaying the capabilities of the small scale entrepreneurs and their industrial ventures. Such programmes have proved to be of immense use in locating suitable entrepreneurs by a number of buying organizations including the Public Sector Enterprises, various Wings of Defense, Railways and others in indigenizing a number of products.

MSME DIs -National Level VDPs - cum- Exhibitions and State Level VDPs are organizing two types of VDPs.

iii) Marketing Assistance and Export Promotion

- Support for participation in trade fairs and exhibitions – national as well as international
- Training programmes on packaging for exports
- Purchase preference in Government procurement
- Market Development Assistance Scheme for publicity, market studies and adoption of modern market practices
- To encourage participation in international trade fairs for export promotion.
- 100% subsidy on space rent.
- 100% reimbursement of airfare by economy class.
- Reimbursement of 75% of one time registration fee for obtaining Bar Code Registration.
- Reimbursement of 75% of annual fee for the first three years.
- As International Cooperation Programme provides exposure to MSMEs to the latest technologies, manufacturing practices prevalent in their fields in different countries.
- Encourages their participation in international exhibitions for export

V. Enterprise and Skill Development

The Office of DC (MSME) conducts a large number of vocational and entrepreneurship development programmes. The Entrepreneurship Development Programmes (EDPs) are conducted through MSME-DIs, with focus on entrepreneurial skills development coupled with specific skills relating to trades like electronics, electrical, food processing, etc., which enables the trainees to start their own ventures. The programme includes the following: -

- i Entrepreneurship Development Programmes(EDPs)** are being organized regularly to nurture the talent of youth by enlightening them on various aspects of industrial activity required for setting up MSEs. These EDPs are generally

conducted in ITIs, Polytechnics and other technical institutions, where skill is available to motivate them towards self-employment. The course contents of such Entrepreneurship Development Programmes are designed to provide useful information on product/process design, manufacturing practices involved, testing and quality control, selection and usage of appropriate machinery and equipment, project profile preparation, marketing avenues/techniques, product/service pricing, export opportunities, infrastructure facilities available, cash flow, etc.

- ii **Entrepreneurial Skill Development Programme (ESDP):-**Comprehensive training programmes are organized to upgrade skills of prospective entrepreneurs, existing workforce and also to develop skills of new workers and technicians of MSEs by organizing various technical cum skill development training programmes with the basic objectives to provide training for their skill upgradation and to equip them with better and improved technological skills of production. The specific tailor made programmes for the skill development of socially disadvantaged groups (OBC, ST, ST, Minorities and women) are organized in various regions of the states, including the less developed areas. This programme covers training across 60 disciplines
- iii **Management Development Programmes (MDPs):-** The objective of imparting training on management practice system is to improve the decision-making capabilities of existing & potential entrepreneurs resulting in higher productivity and profitability. Inputs on a variety of topics of managerial functions are provided to the participants in short duration training programmes. 20% of the targeted training programmes are conducted exclusively for the weaker sections of the Society (SC/ST/Women/Physically challenged), for which no fee is charged.
- iv **Industrial Motivation Campaigns (IMCs):-**Industrial Motivation Campaigns (duration of 1 day or 2 days) are organized to identify and motivate traditional / non-traditional entrepreneurs having potential for setting up MSEs to lead them towards self-employment.
- v **Vocational and Educational Training:-**The Regional Testing Centers, Field Testing Stations and Autonomous bodies like Tool Rooms and Technology Development Centers (TDCs) of the Ministry conduct long term, short term, trade/field-specific and industry-specific tailor-made courses as well as vocational training programmes.

Financial Assistance to Entrepreneurship Development Institutes Financial assistance in the form of non-recurring grant for strengthening infrastructure like building, training aids/equipment and other support services on matching (50:50 basis) of the cost or Rs.100 lakh whichever is less.

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- To provide handholding support to potential first generation entrepreneurs.
- Financial assistance @ Rs.4000/- per trainee for service enterprises and @ Rs.6000/- per trainee for manufacturing enterprises would be provided to Udyami Mitras as handholding fees.

VI. Programs and schemes of the Ministry of MSME

Incentives available for encouraging entrepreneurship under different schemes of Govt. of India

- i) **Agricultural and Processed Food Products Export Development Authority** (APEDA) mission is to develop agricultural commodities and processed food to promote exports. APEDA provides financial support for packaging development; export promotion and market development etc.
- ii) Ministry of **Food Processing Industries** (MoFPI) covers setting up technology up gradation, modernization of food processing industries in fruits & vegetables, pulses etc. The scheme provides 25% of the cost of plant & machinery and technical civil works subject to a maximum of Rs.50 lakhs in general areas and 33% up to Rs.75 lakhs in difficult areas.
- iii) **National Horticulture Board** (NHB) provides financial support for land development, cultivation expenses, poly house or shade nets, farm tools etc.
- iv) **Ambedkar Hastshilp Vikas Yojana** (AHVY) wherein the main thrust is on a projectised, need based approach for integrated development of potential handicrafts, clusters with participation of the craft persons at all stages for implementation of the scheme. AHVY extends financial support for development & supply of improved modern tools, design & technical development workshops, training, organizing seminar & exhibitions etc.
- v) **Market Access Initiative** (MAI) scheme is an Export Promotion Scheme formulated on focus product- focus country approach to evolve specific strategy for specific market and specific product through market studies/ survey. MAI provides financial support for opening showrooms & warehouses, display in international departmental stores, publicity campaigns and branch promotion etc.
- vi) **Tea Board** extends support towards plantation, irrigation, transportation exhibitions, advertising etc.
- vii) **Coffee Board** extends support towards replantation, water augmentation, quality up gradation etc.
- viii) **Coconut Development Board** provides financial support for production & distribution of planting material, integrated farming for productivity improvement, market promotion, coconut palm insurance scheme etc.
- ix) **Scheme for Rejuvenation, Modernization and Technological Up gradation of Coir Industry** Under the scheme, assistance is provided to spinners

and tiny household sector for replacement of outdated looms and for constructing work sheds so as to increase production and earnings of workers. Coir Board provides financial support for skill up gradation, organizing workshop & seminars, exposure tour and quality improvement programme. Mahila Coir Yojana (MCY) is the first woman oriented self-employment scheme by giving subsidy of 75% of the cost of purchase to the trained women artisans.

- x) **Rubber Board** provides financial support for production & distribution of planting material, integrated farming for productivity improvement, market promotion etc.
- xi) **Khadi Reform Development Programme (KRDP)** -In order to revitalize and reform the traditional khadi sector with enhanced sustainability of khadi, increased artisans welfare, increased incomes and employment opportunities for spinners and weavers with lesser dependence on Government grants, a Khadi Reform and Development Programme was formulated by the Ministry of MSME in consultation with Khadi and Village Industries Commission (KVIC), Asian Development Bank (ADB), Department of Economic Affairs (DEA) and Price Waterhouse Coopers (PWC).

VII. Prime Minister's Employment Generation Programme

25% subsidy for entrepreneurs of urban area, 35% subsidy for entrepreneurs of rural area, 5% of project cost as beneficiaries' contribution & balance 95% loan from banks.

VIII. Purchases and Price Preference in Govt. Procurement.

- i) The Central Govt. and its PSUs from the MSMEs currently reserve 358 items for exclusive purchase.
- ii) 15% price preference for Central Gov. purchases.
- iii) Tender documents are provided free of charge.
- iv) Exemption from earnest money/security deposit.

IX. Integrated Infrastructure Development Scheme

- i) To facilitate provision of building up infrastructure with necessary facilities for manufacturing and related service enterprises with reservation of 50% for rural areas.
- ii) Central Govt. grants assistance up to 80% or Rs.40 million for setting up new industrial estates for MSEs.
- iii) The scheme has now been absorbed in with MSE CDP(Cluster Development Program)

X. Capacity Building, Strengthening of Database and Advocacy by Industry/Enterprise Association.

- i) To strengthen the role and to increase efficiency of the Associations of Micro and Small Enterprises.

- ii) Financial assistance up to Rs.10 lakh for computers, photocopier, consumables, travel expense etc.
- iii) Assistance will be given to meet 50% of the total sanctioned amount from their resources.

XI. National award schemes

The Micro, Small & Medium Enterprises (MSMEs) in India have seen a vast development in the last five decades. The MSMEs have registered tremendous growth as also progress in terms of quality production, exports, innovation, product development and import substitution, very much beyond the expected objectives of setting up MSMEs by the planners of industrial production base in the country. Entrepreneurial efforts have made it possible to produce number of items, which hitherto were imported. In quite a few cases new variants so produced are having additional attributes than their original versions and are capable of solving a multitude of user problems. This all has become possible owing to the ambitions and visionary spirit of entrepreneurs of MSMEs

The ministry of Micro, Small and Medium Enterprises with a view to recognizing the efforts and contribution of MSMEs gives National Award annually to selected entrepreneurs and enterprises under the scheme of National Award.

- i) Outstanding efforts in Entrepreneurship in Micro, Small & Medium Enterprises (MSMEs)
 - a Outstanding efforts in Entrepreneurship to Micro & Small Enterprises engaged in manufacturing
 - b Outstanding Efforts in Entrepreneurship in Micro & Small Enterprises rendering Services.
 - c Outstanding Efforts in Entrepreneurship in Medium Enterprises engaged in manufacturing.
 - d Research & Development Efforts in Micro, Small & Medium Enterprises (MSMEs)
 - e Research & Development Efforts in Micro & Small Enterprises.
 - f Research & Development Efforts in Medium Enterprises.
- ii) Quality Products in Micro & Small Enterprises (MSEs) in each selected product Groups.
- iii) National Award for Entrepreneurship Service.

XII. National Small Industries Corporation Ltd (NSIC): -

It was established by the Government with a view to promoting, aiding and fostering the growth of micro, small and medium enterprises in the country, with a focus on commercial aspect of their operations. It implements several schemes to help the MSMEs in the areas of raw material procurement, product marketing, credit rating, acquisition of technologies, adoption of improved management practices, etc.

National Small Industries Corporation Ltd (NSIC) **schemes** for small scale industries relate to:-

- i) Credit Support like
 - a Bill Financing
 - b Working Capital Finance
 - c Export Development Finance
 - d Equipment Leasing Scheme
 - e Raw Materials Procurement financial Support
- ii) Marketing Assistance Programme and Exports Assistance;
 - a B2B web portal for marketing
 - b Tender Marketing
 - c Marketing Intelligence
 - d Exhibitions & technology fairs
 - e Buyer - Seller meets
- iii) Single Point Registration Scheme and other services.
- iv) Technology support to enhance co's competitive advantage
- v) Software Technology cum Business parks
- vi) Incubation of unemployed youth for setting up of new micro & small enterprises.
- vii) International co-operation
- viii) International consultancy services like capacity building, policy & institutional framework, business development services etc.

XIII. As a part of the institutional arrangement, **Small Industries Development Bank of India (SIDBI)** has been set up as the apex refinance bank. Term loans are provided by State Financial Corporations (SFCs) and **Scheduled Banks**.

Besides, several schemes and programmes have been undertaken by the Government with the aim of facilitating access to:-

- i) Adequate credit from financial institutions;
- ii) Funds for technology up gradation and modernization;
- iii) Integrated infrastructural facilities;
- iv) Modern testing facilities and quality certification laboratories;
- v) Modern management practices, entrepreneurship development and skill up gradation through appropriate training facilities; etc. The schemes so announced include:-
 - o Tax Holiday Scheme
 - o Composite Loan Scheme
 - o Repayment Working Capital Component -
 - o Industrial Estate Scheme
- vi) Scheme for International Cooperation

C. SUBSIDIES

A subsidy, often viewed as the converse of a tax, is an instrument of fiscal policy. Derived from the Latin word 'subsidium', a subsidy literally implies coming to assistance from behind.

'Subsidy' denotes a single lump sum, which is given by a Government to an entrepreneur to cover the cost. The term 'bounty' denotes a bonus or financial aid given to an industry to help it to compete with other units.

The Indian government has, since Independence, subsidized many industries and products, from petrol to food. The government assists loss making state-owned enterprises and farmers are given access to free electricity.

Objectives - Subsidies, by means of creating a wedge between consumer prices and producer costs, lead to changes in demand/supply decisions. Subsidies are often aimed at :

- Inducing higher consumption/ production
- Offsetting market imperfections;
- Achievement of social policy objectives including redistribution of income, population control, etc.

Forms of subsidies

A cash payment to producers/consumers is an easily recognizable form of a subsidy. However, it also has many invisible forms. Thus, it may be hidden in reduced tax-liability, low interest government loans or government equity participation. If the government procures goods, such as food grains, at higher than market prices or if it sells at lower than market prices, subsidies are implied.

Mode of administering a subsidy - The various alternative modes of administering a subsidy are:

- Subsidy to producers
- Subsidy to consumers
- Subsidy to producers of inputs
- Production/sales through public enterprises
- Cross subsidization (charging higher prices to one group of customer in order to subsidize lower prices for another group.)

Subsidy targeting - Subsidies can be distributed among individuals according to a set of selected criteria, e.g. 1) merit, 2) income-level, 3) social group etc.

Two types of errors arise if proper targeting is not done, i.e. exclusion errors and inclusion errors. In the former case, some of those who deserve to receive a subsidy are excluded,

and in the latter case, some of those who do not deserve to receive subsidy get included in the subsidy programme.

Effects of subsidies - Economic effects of subsidies can be broadly grouped into

- 1 Subsidies help draw more resources towards the subsidized sector
- 2 Fiscal effects: They directly increase fiscal deficits. Subsidies may also indirectly affect the budget adversely by drawing resources away from tax-yielding sectors towards sectors that may have a low tax-revenue potential.
- 3 Trade effects: A regulated price, which is substantially lower than the market clearing price, may reduce domestic supply and lead to an increase in imports. On the other hand, subsidies to domestic producers may enable them to offer internationally competitive prices, reducing imports or raising exports.
- 4 Economic effects: They would result in inefficient resource allocation if imposed on a competitive market or where market imperfections do not justify a subsidy, by diverting economic resources away from areas where their marginal productivity would be higher.
- 5 Distributional effects: For example, a price control may lead to lower production and shortages and thus generate black markets resulting in profits to operators in such markets and economic rates to privileged people who have access to the distribution of the goods at the controlled prices.
- 6 Subsidies have a tendency to self-perpetuate. They create vested interests and acquire political hues
- 7 It is difficult to control the incidence of a subsidy since their effects are transmitted through the mechanism of the market, which often has imperfections other than those addressed by the subsidy.

Benefits of subsidies -The relative distribution of the benefits of a subsidy may be studied with respect to different classes or groups of beneficiaries such as consumers and producers, as also between different classes of consumers and producers.

- 1 In case of food subsidy, it suffers from considerable leakage and apart from a low coverage of poor; the magnitude of benefit derived by the poor is very small.
- 2 In case of electricity, the subsidy rates have been rising for both agriculture and domestic sectors because the unit cost has been rising faster than the relevant tariff-rate. Also, there is considerable variation in the level of per capita electricity subsidy indicates that, in the richer States, the per capita subsidy is substantially higher as compared to that in the poorer States.
- 3 In case of public irrigation, water has a very high marginal productivity when used in conjunction with HYV of seeds, chemical fertilizers, power and other related inputs. It is the richer farmers who may derive relatively larger benefits because of their capacity to use these allied inputs.

- 4 Subsidies to elementary education form about half of the total subsidies on general education. However, this is not true for all individual States: the share of elementary education is lowest in the high income States and the highest in the low income States. Most subsidies to higher education accrue predominantly to the better-off sections of society as they have an overwhelming advantage in competing out prospective candidates from the poorer sections in getting admission to courses that are characterized by scarcity of seats.
- 5 For subsidies of health, the greater emphasis on curative health care expenditure often reflects a bias towards the better-off people whereas preventive health care expenditure with much larger externalities would clearly be of greater help to the economically weaker sections of the society.

D. Procedure for Getting Contract from Government

Section 2(h) of the Indian Contract Act, 1872 defines a contract as “An agreement enforceable by law”. The word ‘agreement’ has been defined in Section 2(e) of the Act as “every promise and every set of promises, forming consideration for each other”. Every contract in which the state or the central government is a party is called a government contract.

While the Indian Contract Act does not have a set parameter for entering into contracts and can be either written or oral, government contracts are different. A government contract has to be in writing and fulfill certain conditions as laid out in Article 299 of the Indian Constitution.

For every government contract, the basis is the tender, which is issued. Government contracts, through the way of tendering, are generally long, tedious and with strict compliance clauses. However, winning a government contract is a good stamp of competency for your business. For every government contract, a specific tender is issued which lists out the work, terms of the contract and every other detail. Such tenders are usually found on classified advertisements in local newspapers, national newspapers and the publication, Indian Trade Journal. To increase transparency and flow of information, every tender floated by the government is available online at www.tenders.gov.in.

Tender process

- 1 There is a minimum eligibility criterion for every government contract and the tender document clearly spells this out.
- 2 For almost all government contracts, it is important for the bidder to have done similar nature of work within the qualifying period, which is generally the last three financial years and the current financial year.
- 3 For someone looking to enter into a government contract, getting hold of the tender document is the most important part.

- 4 For every government contract, a date is set when tender forms will be ready for sale.
- 5 If a tender form is required by post, cost of the tender form increases to a certain extent.
- 6 If any plan or drawing is attached with the tender form, a certain amount has to be deposited per plan or drawing.
- 7 The sealed tender document has to be dropped into the tender box during the prescribed limits of time and date at the notified address.
- 8 If the tenderer wishes to be present at the time of opening, the Bides he may do so. In case of composite works involving combination of different works, even separate completed works of required value are considered while evaluating the eligibility criteria.
- 9 Generally the total contract amount received by the tenderer during the last three financial years and in the current financial year should be a minimum of at least 150 percent of advertised tender value.
- 10 Every government tender for a contract also specifically points out what constitutes 'similar' work.
- 11 The tenderer is also expected to submit a list of assets, plant and machinery, list of work completed in the last three years and list of work in hand along with the tender form.
- 12 **No alteration in tender** Once you have filled up the tender, remember there should be no erasure or alteration in the text of the tender papers. Any such erasure and/or alteration will either be disregarded or render the whole tender null and void at the option of the government.

Financial matters

- 1 An Earnest Money Deposit (EMD) has to be made with the notified cashier or through money receipt, Fixed Deposit Receipt or Demand Draft or Pay Order drawn in favor of the concerned arm of the government issuing the tender.
- 2 The Earnest Money (EM) forms could be of approved scheduled bank by RBI.
- 3 The tenderer should note that bank guarantee would not be acceptable as EM.
- 4 Tenders, which are unaccompanied with requisite EM or received in any other form than those mentioned are generally rejected.
- 5 Each tender for a government contract also attracts a security deposit for each work, which is generally about five percent of the contract value.
- 6 The successful bidder also has to give a Performance Guarantee (PG) in the form of an irrecoverable bank guarantee or FDR amongst others. The amount of PG is generally five percent of the contract value and this should be deposited within 30 days from the issue of letter of acceptance, but before signing of the actual agreement.
- 7 The agreement should normally be signed within 30 days after the issue of the

acceptance letter. A PG should also be submitted within this time limit. There are penalties and fines if the contract is not executed within the time frame.

- 8 In case the person winning the contract fails to submit the requisite PG even after 60 days from the date of issue of Letter of Agreement, the contract will be terminated, forfeiting EMD and other dues. The failed contractor is also generally debarred from participating in re-tender for that contract.

Successful tenders The successful tenderer is generally communicated through a letter. For this it is important that every tenderer should state in the tender his postal address in detail. Any communication sent to a tenderer by post is deemed to have reached the tenderer duly and timely. This is irrespective of whether the communication could not reach the tenderer at all or on time due to any inaccuracy in address. Important documents are sent by registered post.

Canvassing and bribe To stop corruption in government contracts, there is an 'Integrity Clause' built into the tenders. It states that no tenderer shall canvass, bribe, commission, or gift any government servant or any one related to him or agents, for the execution and favorable result towards the bidding of the contract. If malpractice is proved even after the completion of the contract, the tenderer will be criminally liable, contract cancelled, deposits and securities forfeited and all payments cancelled.

E. Import Export Business

With the opening of Indian economy in the past two decades, imports and exports have gathered momentum and the government is providing adequate policy framework, assistance and incentives to people, companies and organizations engaged in foreign trade. The government also plays a crucial role in providing infrastructure to nurture trade, and in engaging with foreign governments and international trade organizations to ensure a level playing field for Indian traders.

I Imports

What is import and who are importers? According to the **Customs Act, 1962**, "import", with its grammatical variations and cognate expressions, means bringing into India from a place outside India; "imported goods" means any goods brought into India from a place outside India but does not include goods which have been cleared for home consumption; and "importer", in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes any owner or any person holding himself out to be the importer.

Benefits of imports

- Import of goods helps to boost the economy by providing capital good for infrastructure or industrial development, meeting shortages and improving quality of production.

- It also helps improving living standards by making available good and products not produced in the country.
- Starting a business of importing goods can be a profitable venture, but requires that the rules and regulations governing such trade and the markets in respect of both the countries, and the trade agreements with the country of interest, are studied and understood well.

With the rise in disposable incomes in India, the demand for imported goods is growing.

Import Procedures

- **Import Duties** - The government levies import duties on most of the items imported for trade purposes. These are of different types including Basic Duty, Additional Customs Duty, True Countervailing Duty, Anti Dumping or Safeguard Duty and Education Cess.
- **Bill of Entry** - It is a document certifying that the goods of specified description and value are entering into the country from abroad. Bills of Entry are of three types: -
 - o Bill of Entry for home consumption
 - o Bill of Entry for Warehouses
 - o Bill of Entry for Ex-Bond Clearance
- **Green Channel facility** - Some major importers have been given the green channel clearance facility. It means clearance of goods is done without routine examination of the goods.

II Exports

What is export and who are exporters? The Customs Act, 1962, says “export”, with its grammatical variations and cognate expressions, means taking out of India to a place outside India; “export goods” means any goods which are to be taken out of India to a place outside India; and “exporter”, in relation to any goods at any time between their entry for export and the time when they are exported, includes any owner or any person holding himself out to be the exporter.

Benefits of Exports

- Exporting a product is a profitable method that helps to expand the business and reduces the dependence in the local market.
- A primary reason for export is to earn foreign exchange, which not only brings profit for the exporter but also benefits the economy of the country.
- International trade also keeps an exporter more competitive and less vulnerable to the market.

Government of India supports exporters through incentives and schemes to promote Indian export as well as by entering into beneficial trade agreements with governments of foreign countries and international trade organizations.

Exploring Export Opportunities

- The Government actively assists exporters by through **Trade Promotion Programmes and Schemes** and by providing **Trade Promotion Assistance**. These include programmes for enhancing bilateral trade by entering into agreements with countries. While selecting the goods to export, it is important to ascertain that it meets the quality and other specifications laid down in the chosen country / countries. It must meet the standards laid down by **Bureau of Indian Standards** or **Agmark** as applicable, besides other International certification bodies.

Export Procedures

- **Export Licence** - Majority of goods are allowed to be exported without obtaining a licence. An application for grant of Export Licence for such items must be submitted to the Director General of Foreign Trade (DGFT).
- **Export of Samples** - Export of samples up to specified limits are allowed free. The exporter is required to be registered with the appropriate **Export Promotion Council** to avail of this benefit. Samples with permanent marking as “sample not for sale” are allowed freely for export without any limit.
- **Processing of Shipping Bill** - In case of export by sea or air, the exporter must submit the ‘Shipping Bill’, and in case of export by road he must submit ‘Bill of Export’ in the prescribed form containing the prescribed details such as the name of the exporter, consignee, invoice number, details of packing, description of goods, quantity, FOB value, etc. Along with the Shipping Bill, other documents such as copy of packing list, invoices, export contract, letter of credit, etc. are also to be submitted.

Types of shipping bills:-

- o Shipping Bill for export of duty free goods.
- o Shipping bill for export of goods under claim for duty drawback.
- o Shipping bill for export of duty free goods ex-bond
- o Shipping Bill for export of dutiable goods.
- **Let Export Order** - After the receipt of the goods in the dock, the exporter may contact the Customs Officer designated for the purpose and present the checklist with the endorsement of Port Authority and other declarations along with all original documents. Customs Officer may verify the quantity of the goods actually received and thereafter mark the Electronic Shipping Bill and also hand over all original documents to the Dock Appraiser, who may assign a customs officer for the examination of the goods. If the Dock Appraiser is satisfied that the particulars entered in the system conform to the description given in the original documents, he may proceed to allow “let export” for the shipment.
- **Incentives and Facilities** - The **Special Economic Zones Act 2005** was enacted

to provide for the establishment, development and management of the Special Economic Zones for the promotion of exports.

Preliminary Actions for Importers and exporters

1. **Registration** - Before commencing business, importer and exporter needs to register with the Directorate General of Foreign Trade (DGFT) and **obtain Importer/Exporter Code Number (IEC Code)**. IEC Code is unique 10-digit code issued by DGFT to Indian Companies. This is a mandatory requirement to carry out import to or export from India.

Eligibility condition and Legal Provisions are given for IEC Code Number Application in **Foreign Trade (Regulation) Rules, 1993** and Directorate General of Foreign Trade **Policy Circular No.15 (RE-2006)/2004-2009 Date: 27th July, 2006**.

Exporters also have to obtain PAN based Business Identification Number (BIN) from the **Directorate General of Foreign Trade** prior to filing of shipping bill for clearance of export goods.

2. **Market Survey** - The first step for an importer / exporter is to do a market survey to decide on the goods or commodities that he wants to import / export. He needs to study the domestic market for items that are in demand, or for which a demand is likely to arise. These could include finished goods for the consumer or secondary market, or ancillaries for other industries. He should also study the present competition and future prospects.

3. **Important Policies, Regulations and Procedures Governing Foreign Trade for Importers and Exporters are**

- i) Customs Act 1962
- ii) Customs Tariff Act 1975
- iii) India Foreign Trade (Development and Regulation) Act (1992)
- iv) Foreign Trade (Regulation) Rules 1993
- v) Foreign Trade Policy – 2009 - 14
- vi) Foreign Trade Procedures – 2009 - 14
- vii) International Trade Agreements
- viii) Foreign Exchange Management Act 1999

4. **The following are some sources of data to importers and exporters for carrying out such studies to obtain information: -**

- i) Export Import Data Bank of Ministry of Commerce
- ii) Foreign Trade Performance Analysis
- iii) Directorate General of Commercial Intelligence and Statistics
- iv) India Trade Journal
- v) Directory of Indian Importers
- vi) Exim Bulletins

5. Information for Importers and Exporters

Identification of Source by Importers

Having identified the possible items to import, the source has to be identified. It is important to keep abreast with **Important Notifications by DGFT** related to imports. Care must also be taken to remain updated on applicability of standards laid down by **Bureau of Indian Standards** for specific items to be imported.

Items that can be imported fall under four categories:

- o Freely importable
- o Licensed Item
- o Canalized Items, which can only be imported by specified channels or government agencies such as the **State Trading Corporation (STC)**.
- o Prohibited items

F. Incentives and Facilities to Exporters

1. Duty Drawback

For producer when goods exported from India, the manufacturer would have paid duties as under:

- Import duties on raw materials and components imported and
- Excise duty on the items manufactured in India.

The Customs and Central Excise Duty Drawback Rules, 1971 provide for refund of such duties to the exporter on the export being completed.

Duty drawback is allowed only in respect of all items wherein such raw materials and components have been used on which duty either of Customs or Excise has been paid.

2. Duty Exemption Scheme

The scheme enables the exporter to import materials without payment of customs duty. The licence issued under this scheme is known as 'Advance Licence.' The items allowed to be imported under these licences are such as are to be used in the manufacture of goods to be exported from India.

After exports, the Duty Exemption Entitlement Certificate duly completed by the Customs will have to be surrendered to the licensing authority in fulfillment of the export obligation imposed. No duty drawback will be allowed on the products exported/supplied under this scheme.

3. Special Economic Zones (SEZ)

Fiscal Incentives for SEZ Units

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units.
- 100 per cent Income Tax exemption on export income for SEZ units under

Section 10AA of the Income Tax Act for first 5 years. 50 per cent for next years thereafter and 50 per cent of the ploughed back export profit for next 5 years.

- Exemption from Minimum Alternate Tax under section 115JB of the Income Tax Act.
- External commercial borrowing by SEZ units up to US \$ 500 million a year without any maturity restriction through recognized banking channels.
- Exemption from Central Sales Tax, Service Tax, State Sales Tax and other levies as extended by the respective State Governments.

Tax Exemption to SEZ Developers

- Exemption from Customs/Excise duties for development of SEZs for authorized operations approved by the board of Approval.
- Income Tax exemption on export income for a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act.
- Exemption from Minimum Alternate Tax under Section 115JB of the Income Tax Act.
- Exemption from Dividend Distribution Tax under Section 115 O of the Income Tax Act.
- Exemption from Central Sales Tax (CST) and Service Tax (Section 7, 26 and Second Schedule of the SEZ Act).

4. Excise Rebate

Finished goods, which are subject to excise duty for home consumption, are exempt from the duty when they are exported. The scheme is also applicable where exported goods contain excisable goods in their manufacture.

The exporter can avail of this facility in either of the following methods, where finished goods are excisable.

- Export under bond:
- Refund of duty:

Where the excisable materials have been used in the manufacture, similar to the above arrangement, the exporter can avail of the facility of manufacturing under bond or he can claim refund after the duty is paid.

5. Marketing Development Assistance

The Government of India has instituted a Marketing Development Fund for providing grants-in-aid for the development of markets for Indian products abroad, for compensatory support for export commodities and for other export promotion efforts. The fund gets its resources from the allocation of General Budget.

The extent of assistance differs depending upon the scheme. Generally it ranges between 50% and 60%. Some of the schemes eligible for assistance under the Fund are:

- Commodity survey/study within the country for determining export potential;
- Market survey abroad.
- Publications for issue within the country or abroad.
- Participation in exhibitions abroad.
- Setting up showrooms, warehouses, after sales service establishment;
- Research and Development;
- Consultancy services;
- Setting up foreign offices.

The application for assistance should be sent to the Marketing Department Assistance Committee at the Ministry of Commerce through the approved organization like Export Promotion Council and Commodity Board.

6. Supply of Raw Materials

Units engaged in exports are given priority in the allotment of scarce raw materials such as steel. In certain cases, the raw materials are arranged to be supplied at international prices, much below the internal prices.

7. The Export Oriented Units

(EOUs) scheme, introduced in early 1981, is complementary to the SEZ scheme. It adopts the same production regime but offers a wide option in locations with reference to factors like source of raw materials, ports of export, hinterland facilities, availability of technological skills, existence of an industrial base and the need for a larger area of land for the project.

The main objectives of the EOU scheme is to increase exports, earn foreign exchange to the country, transfer of latest technologies stimulate direct foreign investment and to generate additional employment.

Incentives given to EOUs

- i) The EOU units and import of all industrial inputs exempt from customs duty require no import licences.
- ii) Supplies from the DTA to EOUs are regarded as deemed exports and are hence exempt from payment of excise duty.
- iii) On fulfillment of certain conditions, EOUs are exempted from payment of corporate income tax for a block of 5 years in the first 8 years of operation. Export earnings continue to be exempt from tax even after the tax holiday is over.
- iv) Industrial plots and standard design factories are available to EOUs at concessional rates.
- v) Single window clearance for EOU.
- vi) Private bonded warehouses in the 7 EPZs can be set up for
- vii) Import and sale of goods including in the DTA, subject to payment of applicable duties at the time of sale.

- viii) Re-export after repair, reconditioning or re-engineering
- ix) EOUs and EPZs are permitted to sub-contract part of their production processes for job work to units in the DTA on a case-by-case basis.
- x) Supplies to the DTA under international competitive bidding against payment in foreign exchange to other EOUs and EPZ units and against import licenses are considered towards fulfillment at the export obligation.
- xi) The FOB value of exports of EOUs and EPZ units can be clubbed with that of parent companies located in the DTA for the purpose of obtaining a Trading or Export House status.
- xii) EOUs and EPZ units may export goods through Trading and Export Houses or other EOU and EPZ Units.
- xiii) Exemption from Customs and Central Excise duties on import/local procurement of Capital goods, raw materials, consumables, spares, packing material etc.
- xiv) Reimbursement of Central Sales Tax (CST) on purchases made from Domestic Tariff Area (DTA)
- xv) Re-imbursement of duty paid on fuels procured from domestic oil companies as per the rate of Drawback notified by the DGFT from time to time.
- xvi) Concessional duty has been prescribed for goods sold in DTA, which are manufactured entirely out of indigenous materials.

Financial and other Assistance for Export Park and Export Units.

Export Park - Cash subsidy at the maximum rate of 30% of the fixed capital investment subject to a maximum of Rs. 250 lakhs shall be admissible to Export Park set up on private basis. In case of expansion of existing industrial estate, cash subsidy of 30 % of the eligible capital investment made for expansion up to a maximum limit of Rs. 150 lakhs shall be offered once. Cash subsidy will be disbursed after the Park is functional.

Export Units - Export oriented unit being setup in Export Park or set up in other area of the state will be eligible for following incentives.

- a. Exemption from Electricity Duty
- b. Power Cut.
- c. Exemption from Octroi.

8. Export Houses, Trading Houses and Star Trading Houses

A registered exporter is a person holding valid registration certificate issued by an Export Promotion Council Commodity Board or other registering authority designated by Government for the purpose of export promotion.

The exporter may be registered as an Export House or a Trading House or a Star Trading House if the average FOB value of physical exports during the preceding three licensing

years is not less than Rs. 10 crores, Rs. 50 crores and Rs. 250 crores respectively. The registration may also be granted if the FOB value of exports during the preceding licensing year was not less than Rs. 15 crores (export house), Rs. 75 crores (trading house) and Rs. 300 crores (star trading house).

These houses are entitled for special import licenses for import of such items included in the Negative List of imports, under a scheme notified in this behalf. They are also eligible for opening of foreign currency accounts in India and abroad, Marketing Development Assistance and to execute legal undertaking in lieu of bank guarantee to cover the export obligation.

9. Export Promotion Capital Goods Scheme (EPCG)

Under the EPCG capital goods may be imported at a concessional rate of customs duty of 25% of CIF value with an export obligations of 3 times CIF value to be achieved within 4 years. The duty will be further reduced to 15% of CIF value where the export obligation undertaking is 4 times the CIF value within a period of 5 years.

A manufacturer –exporter for a period not less than 3 years is eligible for this scheme. Other exporters may also be considered on merits.

10. Foreign Currency accounts for Exporters

Exporters with a net foreign earnings of Rs. 4 crores and over during the preceding year may be permitted by Reserve Bank to maintain foreign currency accounts with SBI, public sector banks and foreign banks operating in India.

Only one account shall be maintained which will have no cheque facility. No overdraft can be granted in the account. The exporter availing this facility should route all export documents through the designated branch of the bank. Credit to the foreign currency account will be approved method of liquidation of post shipment advances. RBI will fix ceiling on balance to be maintained in the account. Excess over that shall be converted into rupees promptly.

If exports arrange foreign currency overdraft/revolving lines of credit from banks abroad for financing their imports RBI may consider their keeping foreign currency accounts abroad. A bank in India shall maintain mirror account. They cannot avail pre-shipment/post-shipment finance except to the extent of rupee expenditure.

11. Other Benefits

Some of the other benefits available to exporters are listed as below-

- (a) Exemption from sales tax.
- (b) Exemption from income tax.
- (c) Training facilities in India and abroad.

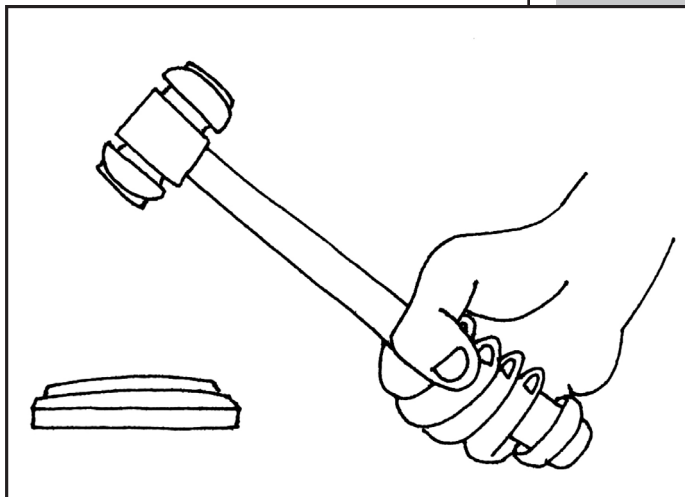
- (d) Availability of concessional finance from banks and Exim Bank.
- (e) Credit insurance cover from ECGC.
- (f) Pre-shipment inspection facilities.
- (g) Foreign exchange for business visits abroad and for participation in trade fairs and exhibitions abroad.
- (h) Special import licences for items in negative list.

Thus, it may be seen that no efforts have been spared in providing all possible facilities and incentives to exports.

Questions

1. Explain the term ‘Incentive’ what are the types of Incentives?
2. What are the advantages of Incentives & subsidies?
3. What are problems of Incentives and Subsidies?
4. What is Cluster Development approach.
5. What are the programs and schemes offered by Ministry of MSME?
6. What are the economic effects of subsidies? What are the benefits?
7. Explain the procedure for getting contract from Government.
8. Explain the terms ‘Imports’ and ‘Exports’ its benefits
9. What preliminary Actions should be taken by Importers and exporters
10. Explain Import & Export procedure.
11. What incentives and facilities are provided to exporters?

12



LEGAL & REGULATORY ASPECTS OF THE VENTURE

LEGAL & REGULATORY ASPECTS OF THE VENTURE

A. Legal set up for Business

I. Industrial Acts and Legislations

II. Laws Relating To Intellectual Property Rights

III. Key Regulations

IV. Arbitration and Conciliation

V. Laws Relating to Doing Business Abroad

Legal aspects are an indispensable part of a successful business environment in any country. They reflect the policy framework and the mindset of the Governmental structure of that country. They ensure that every company is functioning as per the statutory framework of the country. Every enterprise must take into account this legal set up while framing the basic aims and objectives of its company. This is because; it is necessary for efficient and healthy functioning of the organization and helps it to know about the rights, responsibilities as well as the challenges that it may have to face.

A. Legal set up for Business

I. Industrial Acts and Legislations

- 1 Companies Act, 1956
- 2 Industrial Disputes Act, 1947
- 3 Industries (Development and Regulations Act), 1951
- 4 Trade Unions Act, 1926
- 5 Contract Act, 1872

II. Laws Relating to Intellectual Property Rights

- 1 IPR & WTO
- 2 India and IPR
- 3 Copyrights
- 4 Industrial designs
- 5 Patents
- 6 Trade marks
- 7 Layout designs of Integrated circuits
- 8 Plant varieties
- 9 Geographical indications
- 10 Protection of undisclosed information

III. Key Regulations

- 1 Environment (Protection) Act, 1986
- 2 Foreign trade (Development & Regulation) Act, 1992
- 3 Occupational health & safety
- 4 Manpower
 - a. Laws relating to wages
 - i) Payment of wages act, 1936
 - ii) Payment of bonus Act, 1965
 - b. Deprived and disadvantaged sections
 - i) Child labour Act, 1986
 - ii) Bonded labour System (Abolition)Act, 1976
 - c. Employment and training
 - i) Apprentices Act, 1961
 - ii) Employment Exchanges Act, 1959
 - d. Working hours, condition of services and employments
 - i) Factories Act, 1948
 - ii) Contract Labour Act, 1970
 - iii) Mines Act, 1952
 - iv) The building & other construction workers Act, 1996
 - v) Plantation Labour Act, 1951
 - vi) The Motor Transport workers Act, 1961
 - vii) The Sales Promotion employees Act, 1976
 - viii) Shop & establishment Act, 1953
 - ix) The Inter - state migrat workers Act, 1979
 - e. Social security and compensation
 1. Payment of Gratuity Act, 1972
 2. Workmen's compensation Act, 1923
 3. Employees Provident Fund & Miscellaneous Act, 1952
 4. Employees State Insurance Act, 1948
 - f. Equality and empowerment of women
 1. Maternity Benefit Act, 1961
 2. Equal Remuneration Act, 1976
 - g. Labour Welfare Fund Act for unorganised sector
- 5 Monopolies & Restrictive Trade Practices (MRTP) Act, 1969

IV. Arbitration and Conciliation Act, 1996

V. Laws Relating to doing business abroad

- 1 Bilateral Investment Promotion and Protection Agreement (BIPA)
- 2 Foreign Exchange Management Act (FEMA), 1999

I. Industrial Acts & Legislations

In India there are several Acts and legislations enacted by the Government of India for regulation of industries in the country. These enactments play a very important role in the country's overall progress and economic development. These legislations are amended from time to time in accordance with the changing circumstances and environment.

1 Companies Act, 1956

A Company is defined as a voluntary association of persons formed for the purpose of doing business, having a distinct name and limited liability. Companies, whether public or private, are an indispensable part of an economy.

In India, **the Companies Act, 1956**, is the most important piece of legislation that empowers the Central Government to regulate the formation, financing, functioning and winding up of companies. The Act contains the mechanism regarding organizational, financial, managerial and all the relevant aspects of a company. It provides for the powers and responsibilities of the directors and managers, raising of capital, holding of company meetings, maintenance and audit of company accounts, powers of inspection, etc. The Act applies to whole of India and to all types of companies, whether registered under this Act or an earlier Act. But it does not apply to universities, co-operative societies, unincorporated trading, scientific and societies registered societies registration Act,

The salient features of a company are: -

- It is an independent separate legal entity
- A company enjoys continuous existence and its continuous existence and is not affected by the death, insolvency, mental or physical incapacity of its members.
- Limited liability of members
- A company has a Common seal, which is the signature of that company and signifies common consent of all the members.
- Shares are freely transferable.
- The members have no ownership rights in the company's property, either individually or collectively.
- A company has the capacity to sue and being sued.

In response to the changing business environment, the Companies Act, 1956 has been amended from time to time so as to provide more transparency in corporate governance and protect the interests of investors, depositors and debenture holders, etc. For example, **the Companies (Amendment) Act, 2006** introduced an important provision of Director Identification Number (DIN), which is an unique Identification Number allotted to an individual who is an existing director of a company or intends to be appointed as director of a company pursuant to section 266A & 266B of the Companies Act, 1956 (as amended vide Act No 23 of 2006).

2 Industrial Disputes Act, 1947

In India, **the Industrial Disputes Act, 1947** is the main legislation for investigation and settlement of all industrial disputes.

Industrial disputes are the disputes, which arise due to any disagreement in an industrial relation. The term 'industrial relation' involves various aspects of interactions between the employer and the employees; among the employees as well as between the employers. In such relations whenever there is a clash of interest, it may result in dissatisfaction for either of the parties involved and hence lead to industrial disputes or conflicts. These disputes may take various forms such as protests, strikes, demonstrations, lockouts, retrenchment, dismissal of workers, etc.

Some of the important causes of an industrial dispute are:-

- Demand for higher wages and allowances
- Demand for payment of bonus and determination of its rate thereof.
- Demand for higher social security benefits.
- Demand for good and safer working conditions, including length of a working shift, the interval and frequency of leisure and physical work environment.
- Demand for improved labour welfare and other benefits
- Besides, poor personnel management; conflicting legislative measure or government policies; and psychological factors such as denial of opportunity to the worker for satisfying his/ her basic urge for self-expression, personal achievement and betterment may also result in labour problems.

The basic objectives of the Act are:-

- To provide a suitable machinery for the just, equitable and peaceful settlement of industrial disputes.
- To promote measures for securing and preserving amity and good relations between employers and employees.
- To prevent illegal strikes and lockouts.
- To provide relief to workers against layoffs, retrenchment, wrongful dismissal and victimization.
- To promote collective bargaining.
- To ameliorate the conditions of workers.
- To prevent & resolve unfair labour practices.

The **Organization of the Chief Labour Commissioner(Central)** acts as the primary conciliatory agency in the Central Government for industrial disputes.

3 Industries (Development and Regulation) Act 1951 (IDRA)

Growth of the industrial sector at a higher rate and on a sustained basis is a major determinant of a country's overall economic development. In this regard, the Government of India has designed industrial policies, from time to time, to facilitate and foster the

growth of Indian industry and maintain its productivity and competitiveness in the world market.

In order to provide the Central Government with the means to implement its industrial policies, several legislations have been enacted and amended in response to the changing environment. The most important being the (IDRA) which was enacted in pursuance of the Industrial Policy Resolution, 1948. The Act was formulated for the purpose of development and regulation of industries in India by the Central Government.

The main objectives of the Act are to empower the Government: -

- To take necessary steps for the development of industries;
- To regulate the pattern and direction of industrial development;
- To control the activities, performance and results of industrial undertakings in the public interest. The Act applies to the 'Scheduled Industries' listed in the First Schedule of the Act. However, small-scale industrial undertakings and ancillary units are exempted from the provisions of this Act.

4 Trade Unions Act, 1926

According to the **Trade Unions Act, 1926**, 'trade union' means "any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen or between employers and employers, or for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions.

Trade union is a voluntary organization of workers pertaining to a particular trade, industry or a company and formed to promote and protect their interests and welfare by collective action. They are the most suitable organizations for balancing and improving the relations between the employer and the employees. They are formed not only to cater to the workers' demand, but also for inculcating in them the sense of discipline and responsibility. They aim to:-

- Secure fair wages for workers and improve their opportunities for promotion and training.
- Safeguard security of tenure and improve their conditions of service.
- Improve working and living conditions of workers.
- Provide them educational, cultural and recreational facilities.
- Facilitate technological advancement by broadening the understanding of the workers.
- Help them in improving levels of production, productivity, discipline and high standard of living.
- Promote individual and collective welfare and thus correlate the workers' interests with that of their industry.

In India, the first organized trade union was formed in 1918 and since then they have spread in almost all the industrial centres of the country. The legislation regulating these trade unions is the **Indian Trade Unions Act, 1926**. The Act deals with the registration of trade unions, their rights, their liabilities and responsibilities as well as ensures that their funds are utilized properly. It gives legal and corporate status to the registered trade unions. It also seeks to protect them from civil or criminal prosecution so that they could carry on their legitimate activities for the benefit of the working class. The Act is applicable not only to the union of workers but also to the association of employers.

5 Contract Act, 1872

A contract is defined as ‘an agreement in which one party offers to do something for a consideration and the other party accepts that offer’. The bulk of the transactions in trade, commerce and industry are based on these contracts. In India, the **Indian Contract Act, 1872** is the governing legislation for contracts, which lays down the general principles relating to formation, performance and enforceability of contracts and the rules relating to certain special types of contracts like Indemnity and Guarantee; Bailment and Pledge, and Agency.

As per the Act, a “contract” is an agreement enforceable by law. The agreements not enforceable by law are not contracts. An “agreement” means ‘a promise or a set of promises’ forming consideration for each other. And a promise arises when a proposal is accepted. By implication, an agreement is an accepted proposal. In other words, an agreement consists of an ‘offer’ and its ‘acceptance’.

An “agreement” is a contract if ‘it is made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and is not expressly declared to be void’. The contract must be definite and its purpose should be to create a legal relationship. The parties to a contract must have the legal capacity to make it.

Where a party to a contract refuses to perform it or becomes disabled to perform it, it amounts to breach of contract and the promise may set aside the contract unless he has signified by words or conduct, his intention to continue it.

II. Laws relating to Intellectual Property Rights (IPRS)

Intellectual property (IP) is the creation of human intellect. It refers to the ideas, knowledge, invention, innovation, creativity, research etc., all being the product of human mind and is similar to any property, whether movable or immovable, wherein the proprietor or the owner may exclusively use his property at will and has the right to prevent others from using it, without his permission. The rights relating to intellectual property are known as ‘Intellectual Property Rights’.

Intellectual Property Rights, by providing exclusive rights to the inventor or creator,

encourages more and more people to invest time, efforts and money in such innovations and creations. Intellectual property rights are customarily divided into two main areas: -

- Copyright and rights related to copyright:- the rights of authors of literary and artistic works (such as books and other writings, musical compositions, paintings, sculpture, computer programs and films) are protected by copyright. Also, protection is granted to related or neighbouring rights like the rights of performers (e.g. actors, singers and musicians), producers of phonograms (sound recordings) and broadcasting organizations.
- Industrial property, which is divided into two main areas:- One area can be characterized as the protection of distinctive signs, in particular trademarks (which distinguish the goods or services of one undertaking from those of other undertakings) and geographical indications (which identify an article as originating in a place where a given characteristic of the article is essentially attributable to its geographical origin).

Other types of industrial property are protected primarily to stimulate innovation, design and the creation of technology. This category includes inventions (protected by patents), industrial designs and trade secrets.

1 IPR and WTO

World Trade Organization (WTO) is an international organization set up with the objective of ensuring smooth and free trade flow across nations. For this purpose, it provides a platform for negotiating agreements between the member countries. These agreements deal with agriculture, textiles and clothing, banking, telecommunications, industrial standards and product safety, food sanitation regulations and much more and are the foundation of the multilateral trading system.

One such important agreement is the '**Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)**'. It for the first time brought laws relating to intellectual property into the international trading system. It was a result of the Uruguay Round of the multilateral trade negotiations. This agreement narrowed down the differences existing in the extent of protection and enforcement of the **Intellectual Property rights (IPRs)** around the world by bringing them under the common minimum internationally agreed trade standards.

2 India and Intellectual Property Right (IPR)

In today's globalized scenario of expanding multilateral trade and commerce, it has become inevitable for any country to protect its intellectual property by providing statutory rights to the creators and inventors and thus help them fetch adequate commercial value for their efforts in the world market.

This innovative and creative capacity is protected under the intellectual property system of WTO. Recognizing this fact, India as a founder member of WTO has ratified the

Agreement on Trade Related Intellectual Property Rights (TRIPS). As per the agreement, all member countries including India are to abide by the mutually negotiated norms and standards within the stipulated timeframe. Accordingly, India has set up an Intellectual Property Right (IPR) regime, which is WTO compatible and is well established at all levels whether statutory, administrative or judicial.

The Government has taken a comprehensive set of initiatives to streamline the intellectual property administration in the country in view of its strategic significance. In the Ministry of Commerce and Industry, the office of the 'Controller General of Patents, Designs and Trade Marks (CGPDTM)' has been set up under the Department of Industrial Policy and Promotion.

It administers all matters relating to patents, designs, trademarks and geographical indications and also directs and supervises the functioning of :-

- The Patent Office (including Designs Wing)
- The Patent Information System (PIS)
- The Trade Marks Registry (TMR), and
- The Geographical Indications Registry (GIR)

Besides, a 'Copyright Office' has been set up in the Department of Education of the Ministry of Human Resource Development, to provide all facilities including registration of copyrights and its neighbouring rights.

As far as issues relating to layout design of integrated circuits are concerned, 'Department of Information Technology' in the Ministry of Information Technology is the nodal organization. While, 'Protection of Plant Varieties and Farmers' Rights Authority' in Ministry of Agriculture administers all measures and policies relating to plant varieties.

3 Copyrights Act, 1957

The umbrella legislation relating to copyright is the Copyright Act, 1957. According to the Act, the term 'copyright' means the exclusive right to do or authorize the doing of a 'work' or a substantial part of it. The term 'work' used here means:-

- **A literary work:-** it includes computer programmes, tables, compilations and computer databases.
- **A dramatic work:-** it includes any piece of recitation, choreographic work or entertainment in dumb show, the scenic arrangement or acting, whose form is fixed in writing or otherwise.
- **A musical work:-** it includes works of music, any graphical notation of such work but does not include any words or action intended to be sung, spoken or performed with the music.
- **An artistic work:-** it means a painting, a sculpture, a drawing (including a

diagram, map, chart or plan), an engraving or a photograph, whether or not they possess artistic quality. It also includes a work of architecture and any other work of artistic craftsmanship.

- **A cinematographic film:-** it means any work of visual recording on any medium produced through a process from which a moving image may be produced by any means.
- **A sound recording:-** it means recording of sounds from which sounds may be produced regardless of the medium by which sounds are produced.

Here, the 'Related rights or Neighbouring rights' are the rights of performers (e.g. actors, singers and musicians), producers of phonograms (sound recordings) and broadcasting organizations.

The Act is administered by the **Department of Higher Education in the Ministry of Human Resource Development**. A **Copyright Board** is established under the Act. The Board is entrusted with the task of adjudication of disputes pertaining to copyright registration, assignment of copyright, grant of licences in respect of works withheld from public, unpublished Indian works, production and publication of translations and works for certain specified purposes.

4 Industrial Designs Act, 2000

The Designs Act 2000 has been enacted to consolidate and amend the law relating to registration and protection of new and original industrial designs. It repealed and replaced the **Designs Act, 1911**. According to the Designs Act, 2000, the term 'design' means "only the features of shape, configuration, pattern, ornament or composition of lines or colours applied to any article whether in two dimensional or three dimensional or in both forms, by any industrial process or means, whether manual, mechanical or chemical, separate or combined, which in the finished article appeal to and are judged solely by the eye; but does not include any mode or principle of construction or anything which is in substance a mere mechanical device, and does not include any trade mark as defined in the **Trade and Merchandise Marks Act, 1958** or property mark as defined in the Indian Penal Code or any artistic work as defined in the **Copyright Act, 1957**".

Where an application for a design has been abandoned or refused, the application and any drawings, photographs, tracings, representations or specimens left in connection with, then application shall not at any time be open to public inspection or be published by the Controller.

5 Patents Act, 1970

The umbrella legislation relating to patents is the **Patents Act, 1970**. The term 'patent' is defined as a monopoly right, which is granted to a person who has invented a new and useful article, or an improvement of existing article, or a new process of making an article.

It consists of an exclusive right to manufacture the new invented article or manufacture an article according to the invented process for a limited period. Inventions that consist of products or new alloy is called product invention and the corresponding patent to this is referred to as 'product patent'. Whereas, inventions that consist of a process or processes of making a known or new alloy is a process invention and patent for this is called a 'process patent'. This Act only provided for process patent and for products like food, pharmaceutical and chemicals, the inventors were granted only EMR (exclusive marketing rights).

Patent system in India is administered under the superintendence of the **Controller General of Patents, Designs, Trademarks and Geographical Indications**. The Office of the Controller General functions under the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry.

6 Trade Marks Act, 1999

The **Trade Marks Act, 1999** has been enacted to amend and consolidate the law relating to trade marks, to provide for registration and better protection of trade marks for goods and services and for the prevention of the use of fraudulent marks. It repealed the earlier **Trade & Merchandise Marks Act, 1958**. According to the Trade Marks Act, 1999, the term 'trade mark' means "a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours".

Under the Act, the **Controller-General of Patents, Designs and Trade Marks** under **Department of Industrial Policy and Promotion, Ministry of Commerce and Industry** is the 'Registrar of Trade Marks'. The Controller General of Patents, Designs & Trade Marks directs and supervises the functioning of the **Trade Marks Registry (TMR)**. The '**Trade Marks Registry**' administers the Trade Marks Act, 1999 and the **Rules** thereunder.

7 Integrated Circuits Layout design Act, 2000

The **Semi-Conductor Integrated Circuits Layout-Design Act, 2000** has been enacted to provide for the protection of semiconductor integrated circuits layout-designs and for matters connected therewith or incidental thereto. According to the Act, the term 'layout-design' means "a layout of transistors and other circuitry elements and includes lead wires connecting such elements and expressed in any manner in a semiconductor integrated circuit". Here, the term 'semiconductor integrated circuit' means "a product having transistors and other circuitry elements which are inseparably formed on a semiconductor material or an insulating material or inside the semiconductor material and designed to perform an electronic circuitry function".

The Department of Information Technology, Ministry of Information Technology,

implements the Act. The Act is applicable for Integrated Circuits Layout-Design IPR applications filed at the Registry in India.

8 Plant Varieties & Farmer's right Act, 2001

The **Plant Varieties and Farmers' Right Act, 2001** has been enacted to provide for the establishment of an effective system for protection of plant varieties, the rights of farmers and plant breeders and to encourage the development of new varieties of plants. According to the Act, the term 'variety' means "a plant grouping except micro organism within a single botanical taxon of the lowest known rank.

The Central Government has established the '**Protection of Plant Varieties and Farmers' Rights Authority**' in **Ministry of Agriculture** to administer the various provisions of the Act and to take measures to promote the development of new varieties of plants and to protect the rights of the farmers and breeders.

9 Geographical Indications (GIs) of goods Act, 1999

The **Geographical Indication of Goods (Registration and Protection) Act, 1999** has been enacted to provide for the registration and better protection of geographical indications relating to goods. According to the Act, the term 'geographical indication' (in relation to goods) means "an indication which identifies such goods as agricultural goods, natural goods or manufactured goods as originating, or manufactured in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristic of such goods is essentially attributable to its geographical origin and in case where such goods are manufactured goods, one of the activities of either the production or of processing or preparation of the goods concerned takes place in such territory, region or locality, as the case may be".

10 Protection of Undisclosed Information (Trade Secrets or Knowhow)

Knowhow is another important form of intellectual property generated by R&D institutions that does not have the benefit of patent or copyright protection. Such know-how is kept undisclosed as trade secrets. A Trade Secret or undisclosed information is any information that has been intentionally treated as secret and is capable of commercial application with an economic interest. It protects information that confers a competitive advantage to those who possess such information, provided such information is not readily available with or discernible by the competitors. They include technical data, internal processes, methodologies, survey methods, a new invention for which a patent application has not yet been filed, list of customers, process of manufacture, techniques, formulae, drawings, training material, source code, etc. It therefore becomes imperative to strengthen the confidentiality around the trade secret by ensuring that contractual obligations are enforced on persons who are allowed to use the trade secret, especially, when it is licensed to a third party.

Since there is no documentary evidence such as a Letters Patent or a Copyright registration or a Trademark Registration to prove that the trade secret was originally created by the proprietor, it is essential to maintain proof of creation of trade secret either by mailing the information to oneself and retaining postmarked and sealed envelope or by depositing a copy of the information with a third party that would maintain a dated copy. Trade secret remains confidential for indefinite period of time as per the will of the proprietor provided the security and its confidentiality is not breached. There is no specific legislation regulating the protection of trade secrets in India. India follows common law approach of protection and all matters relating to it are generally covered under the **Contract Act, 1872**. So, if the information constituting trade secret is leaked, legal action can be brought against the parties who have leaked it under the Law of Contracts. However, in such a case the protection of trade secret will be lost and it becomes available in public domain.

III. Key Regulations

An entrepreneur has to take into account the basic regulatory requirements of the country in order to ensure sustainability of the profits and productivity of his/her business. The most important regulation relates to the environment. The environmental regulatory requirements envisage a wide legislative framework covering every aspect of environment protection. Broadly, it includes the emission standards for air, noise, water, etc. Separate set of laws for emission of hazardous wastes has also been enacted. Every industry has to abide by these guidelines and parameters for environmental protection.

An organization for its smooth and effective functioning must ensure health and safety of its employees. The major legislations relating to Occupational Health and Safety in India are: - the Factories Act, 1948; the Mines Act, 1952 and the Dock Workers (Safety, Health & Welfare) Act, 1986. The Directorate General of Mines Safety (DGMS) and the Directorate General of Factory Advice Service and Labour Institutes (DGFASLI) are the two field organizations of the Ministry of Labour and Employment in the area of occupational safety and health in mines, factories and ports.

Besides, the Government of India has taken steps in setting up of Competition Commission of India, in order to ensure a healthy and fair competition in the market economy.

1 Environment (Protection) Act, 1986

Over the years, there has been an increasing consciousness and realization that environmental quality and economic development are complementary and not mutually exclusive. This is because, with technological advancements, environmental challenges are also on rise. As a result, there is a need to bring about necessary changes in the industrial and agricultural production patterns, utility services, consumer behaviour and life styles of the people keeping in view our social and developmental priorities for conservation and sustainable use of natural resources. Hence, environmental regulations and standards

have been set up by environmental bodies world around. Indian industry and business too are under increasing pressure of meeting these environmental standards and regulations.

Recognizing the importance of environment, its protection has been given a Constitutional status. The 'Directive Principles of State Policy' state that, it is the duty of the State 'to protect and improve the environment and to safeguard the forests and wildlife of the country'. It is also the 'Fundamental duty' of every citizen 'to protect and improve the natural environment including forests, lakes, rivers and wildlife'.

In India, the **Ministry of Environment and Forests (MoEF)** is the apex administrative body for: -

- Regulating and ensuring environmental protection;
- Formulating the environmental policy framework in the country;
- Undertaking conservation & survey of flora, fauna, forests and wildlife; and
- Planning, promotion, co-ordination and overseeing the implementation of environmental and forestry programmes.

The Ministry is also the Nodal agency in the country for the United Nations Environment Programme (UNEP).

Besides, the responsibility for prevention and control of industrial pollution is primarily executed by the **Central Pollution Control Board (CPCB)** at the Central Level, which is a statutory authority, attached to the MoEF. **The Environment (Protection) Act, 1986**, is the umbrella legislation, which authorizes the Central Government to protect and improve environmental quality, control and reduce pollution from all sources, and prohibit or restrict the setting and /or operation of any industrial facility on environmental grounds. According to the Act, the term "environment" includes water, air and land and the inter- relationship which exists among and between water, air and land, and human beings, other living creatures, plants, micro-organism and property.

The important environmental legislations may be categorized as follows:-

- Water Pollution
- Air Pollution
- Forest Conservation
- Wildlife Protection
- Biological Diversity

A comprehensive policy framework has also been developed to complement the legislative provisions. The most important being the National Environment Policy - 2006 . The policy is in response to our national commitment to a clean environment mandated in the Constitution.

Several sector-specific policies also have been evolved, the major being:-

- National Zoo policy, 1998
- The National Forest Policy, 1988
- The National Conservation Strategy and Policy Statement on Environment & Development, 1992
- The policy statement for abatement of pollution, 1992
- The National Water Policy, 2002
- Wildlife Conservation Strategy 2002

Also, an **Environmental Information System (ENVIS)** has been established as a plan programme and as a comprehensive network in environmental information collection, collation, storage, retrieval and dissemination to varying users. The focus of ENVIS since inception has been on providing this environmental information to decision makers, policy planners, scientists and engineers, research workers, etc. all over the country. ENVIS has developed itself with a network of participating institutions/organizations. The Centres have been set up in the areas of pollution control, toxic chemicals, central and offshore ecology, environmentally sound and appropriate technology, bio-degradation of wastes and environment management, etc.

2 Foreign Trade Act, 1992

In India, exports and imports are regulated by the **Foreign Trade (Development and Regulation) Act, 1992**, which replaced the Imports and Exports (Control) Act, 1947, and gave the Government of India enormous powers to control it.

The Government of India formulates and announces an Export and Import policy (EXIM policy) and amends it from time to time. EXIM policy refers to the policy measures adopted by a country with reference to its exports and imports. Such a policy become particularly important in a country like India, where the import and export of items plays a crucial role not just in balancing budgetary targets, but also in the over all economic development of the country. The principal objectives of the policy are: -

- To enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitiveness to meet the requirements of the global markets.
- To facilitate sustained growth in exports of the country so as to achieve larger percentage share in the global merchandise trade.
- To generate new employment opportunities and to encourage the attainment of internationally accepted standards of quality.
- To provide domestic consumers with good quality goods and services at internationally competitive prices as well as creating a level playing field for the domestic producers.
- To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and capital goods required for augmenting production and providing services.

Besides this Act, there are some other laws, which control the export and import of goods. These include: -

- **Tea Act, 1953**
- **Coffee Act, 1942**
- **The Rubber Act, 1947**
- **The Marine Products Export Development Authority Act, 1972**
- **The Enemy Property Act, 1968**
- **The Export (Quality Control and Inspection) Act, 1963**
- **The Tobacco Board Act, 1975**

At the central level, the **Ministry of Commerce and Industry** is the most important organ concerned with the promotion and regulation of the foreign trade in India. Within the Ministry, the **Department of Commerce** is responsible for formulating and implementing the foreign trade policy. The Department is also entrusted with responsibilities relating to multilateral and bilateral commercial relations, state trading, export promotion measures and development and regulation of certain export oriented industries and commodities.

3 Occupational Health and Safety (OH & S)

Health and safety of the employees is an important aspect of a company's smooth and successful functioning. It is a decisive factor in organizational effectiveness. It guides for an accident-free industrial environment. Companies must attach the same importance towards achieving high OH&S performance as they do to the other key objectives of their business activities. This is because, proper attention to the safety and welfare of the employees can yield valuable returns to a company by improving employee morale, reducing absenteeism and enhancing productivity, minimizing potential of work-related injuries and illnesses and increasing the quality of manufactured products and/ or rendered services.

While the welfare of labour including conditions of work, provident fund, employers' invalidity and old age pension and maternity benefit are in the Concurrent list.

The **Ministry of Labour**, Government of India and Labour Departmentsof the States and Union Territories are responsible for safety and health of workers.

Legislations

The statutes relating to OH&S are broadly divided into three:-

- Statutes for safety at workplaces
- Statutes for safety of substances
- Statutes for safety of activities

At present, safety and health statutes for regulating OH&S of persons at work exist only in four sectors:-

- Mining
- Factories
- Ports
- Construction

The major legislations are:-

The Factories Act, 1948 regulates health, safety, welfare and other working conditions of workers in factories. **Mines Act, 1952** contains provisions for measures relating to the health, safety and welfare of workers in the coal, metalliferous and oil mines. **Dock Workers (Safety, Health & Welfare) Act, 1986** contains provisions for the health, safety and welfare of workers working in ports/docks. **The Building & Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996** was enacted to regulate the employment and conditions of service of building and other construction workers and to provide for their safety, health and welfare measures.

Other legislations and the rules framed there under:-

- **Plantation Labour Act, 1951**
- **Explosives Act, 1884**
- **Petroleum Act, 1934**
- **Insecticide Act, 1968**
- **Indian Electricity Act, 1910**
- **Indian Boilers Act, 1923**
- **Indian Atomic Energy Act, 1962**
- **Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996**
- **Beedi and Cigar Workers' (Conditions of Employment) Act, 1966**

National Safety Council of India (NSCI)

The National Safety Council of India (NSCI) was set up to promote safety consciousness among workers to prevent accidents, minimize dangers and mitigate human suffering, arrange programmes, training, lectures and conferences on safety, conduct educational campaigns to arouse consciousness among employers and workers and collect educational and information data, etc. It has launched new initiatives in three sectors: -

- Road Transportation Safety
- Safety of Health in Construction Sector
- Safety, Health and Environment in Small and Medium Scale Enterprises (SMEs)

At the international level, NSCI has developed close collaboration with International Labour Organization (ILO); United Nations Environment Programmes (UNEP); World Bank; Asian Disaster Preparedness Centre (ADPC), Bangkok; World Environment Centre (WEC), New York; and the member organizations of Asia Pacific Occupational Safety and Health Organization (APOSHO) of which NSCI is a founder-member.

Policy

Announcement of **the National Policy On Safety, Health And Environment At Work Place** was also a step towards improvement in safety, health and environment at workplace performance.

Objectives of the policy were: -

- Continuous reduction in incidence of work related injuries, fatalities, diseases, disaster and loss of national assets.
- Continuous reduction in the occurrence of work place injuries and diseases.
- Extend compensation coverage of work related injuries, fatalities, and diseases for a more comprehensive data base as a means of better performance and monitoring.
- Continuous enhancement of community awareness regarding safety, health and environment at workplace related areas.

Indian Standard on OH & S management systems

Occupational Health and Safety demands adoption of a structured approach for the identification of hazards, their evaluation and control of risks in the organization. Hence, **Bureau of Indian Standards** has formulated an Indian Standard on OH&S management systems. It is called as the **IS 18001:2000 Occupational Health and Safety Management Systems**. This standard prescribes the requirements for an OH&S Management Systems, to enable an organization to formulate a policy, taking into account the legislative requirements. It also provides information about significant hazards and risks, which the organization can control in order to protect its employees and others, whose health and safety may be affected by the activities of the organization.

4 Manpower

Manpower legislation is a very important factor that shapes the overall labour environment of a country. Protection of the interests of labour is the responsibility of the State in the democratic countries. Under the Constitution of India, Labour is a subject in the Concurrent List where both the Central and the State Governments are competent to enact legislations subject to certain matters being reserved for the Centre.

The Ministry of Labour and Employment has the responsibility of protecting and safeguarding the interests of workers in general and those of the poor, deprived and disadvantaged sections of the society, in particular. It also has the responsibility of creating a healthy work environment for higher production and productivity and to develop and coordinate vocational skill training and employment services. These objectives are sought to be achieved through enactment and implementation of various labour laws, which regulate the terms and conditions of service and employment of workers. Broadly, the Ministry has been allocated the work of:-

- Labour policy (including wage policy) and legislation.
- Safety, health and welfare of labour.
- Social security of labour.
- Policy relating to special target group such as women and prevention of child labour.
- Industrial relations and enforcement of labour laws.
- Adjudication of industrial disputes through Central Government Industrial Tribunals- cum-Labour Courts and National Industrial Tribunals.
- Workers' Education.
- Labour and Employment Statistics.
- Employment Services and Vocational training.
- Administration of Central Labour & Employment Services.
- International Cooperation in Labour & Employment matters.

The major legislations that have been enacted for regulating manpower are:- The Factories Act, 1948 to regulate the working conditions in factories; to ensure provision of the basic minimum requirements for safety, health and welfare at the factories workers as well as to regulate the working hours, leave, holidays, employment of children, women, etc.; the Minimum Wages Act, 1948 to safeguard the interests for workers, mostly in the unorganized sector and by providing for the fixation of minimum wages in certain specified employments. It binds the employers to pay their workers the minimum wages fixed under the Act from time to time; the Employees' Provident Fund and Miscellaneous Provisions Act, 1952, with the main objective of making some provisions for the future of industrial workers after their retirement and for their dependents in case of death, etc.

a. Laws relating to Wages

i) Payment of wages act, 1936

A company must formulate its wage and salary policy in an integrated manner by taking into account the overall objectives of setting up the business. This is because a remunerative wage structure helps the organization in obtaining and retaining a healthy, competent and devoted work force, which in helps its productivity and profitability. Such a wage policy acts as a prime force in motivating the employees to contribute their maximum worth to the enterprise.

Wages refers to all remuneration (whether by way of salary, allowances, or otherwise) expressed in terms of money which would (if the terms of employment, express or implied, are fulfilled) be payable to a person employed in respect of his employment or of work done in such employment. It includes:-

- i Any remuneration payable under any award or settlement between the parties or order of a Court;

- ii Any remuneration to which the person employed is entitled to in respect of overtime work or holidays or any leave period;
- iii Any sum which by reason of the termination of employment of the person employed is payable under any law, contract or instrument which provides for the payment of such sum, whether with or without deductions, but does not provide for the time within which the payment is to be made;
- iv Any sum to which the person employed is entitled under any scheme framed under any law for the time being in force.

ii) **Minimum Wages Act, 1948**

The **Minimum Wages Act, 1948** was enacted to safeguard the interests of workers, mostly in the unorganized sector by providing for the fixation of minimum wages in certain specified employments. It binds the employers to pay their workers the minimum wages fixed under the Act from time to time.

In the Central sphere, the Act is enforced through the **Central Industrial Relations Machinery (CIRM)**. CIRM is an attached office of the Ministry of Labour and is also known as the **Chief Labour Commissioner (Central) [CLC(C)] Organization**.

Minimum wage and an allowance linked to the cost of living index and is to be paid in cash, through payment of wages fully in kind or partly in kind may be allowed in certain cases. The minimum rate of wages consists of a basic wage and a special allowance, known as 'Variable Dearness Allowance (VDA)' linked to the Consumer Price Index Number. The allowance is revised twice a year, once in April and next in October.

In order to bring uniformity in the minimum wages of scheduled employments, the Union Government has requested the States to form regional Committees.

iii) **Payment of Bonus Act, 1965**

The Payment of Bonus Act, 1965 was enacted to provide for the payment of bonus to persons employed in certain establishments on the basis of profits or productivity and for the matters connected therewith. The Act applies to:-

- (i) Every factory as defined under the **Factories Act, 1948**; and
- (ii) Every other establishment in which twenty or more persons are employed on any day during an accounting year. However, the Government may, after giving two months' notification in the Official Gazette, make the Act applicable to any factory or establishment employing less than twenty but not less than ten persons.

The key provisions of the Act are:-

- According to the Act, the term 'employee' means "any person employed on a salary or wage not exceeding three thousand and five hundred rupees per month in any industry to do any skilled or unskilled manual, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be express or implied"

- An employee is entitled to be paid by his employer a bonus in an accounting year subjected to the condition that he/she has worked for not less than 30 working days of that year.
- An employer shall pay minimum bonus at the rate of 8.33% of the salary or wages earned by an employee in an year or one hundred rupees, whichever is higher.

An employee shall be disqualified from receiving bonus if he/ she is dismissed from service for:- (i) fraud; or (ii) riotous or violent behaviour while on the premises of the establishment; or (iii) theft, misappropriation or sabotage of any property of the establishment.

b. Laws relating to Deprived and Disadvantaged Sections

The deprived and disadvantaged sections of the society constitutes that portion of the population which is denied the opportunity to fully explore and utilize its abilities and thus enjoy a quality life. These people are left behind in today's advancing economy and need special attention and care. They should be empowered by providing basic education and health care services to improve their social and economic conditions.

In this regard, the most important problem still posing a challenge to the nation is that of child labour. Government has been taking various pro-active measures to tackle this problem. Even our Constitution contains provisions which aim at protecting children:-

- **Right to Education:-** The State shall provide free and compulsory education to all children of the age of 6 to 14 years in such a manner as the State, by law, may determine.
- **Prohibition of employment of children in factories, etc.:-** No child below the age of fourteen years shall be employed in work in any factory or mine or engaged in any other hazardous employment.

Consistent with these constitutional provisions, the Government has made various statutory provisions and developmental schemes. For example, **National Child Labour Projects (NCLP)** scheme is a Central sector scheme, aimed at withdrawing and rehabilitating children working in identified hazardous occupations and processes through special schools and formally mainstreaming them through formal education system.

Also, a **National Resource Centre on Child Labour (NRCCL)** has been set up in **V.V. Giri National Labour Institute in Noida**. Its main objective is to assist the National and State Governments, NGOs, policy makers and other social groups in the field of child labour through a research, training, technical support, advocacy, media management, documentation, publication and dissemination to various target groups towards progressive elimination of child labour in India.

However, considering the magnitude and extent of the problem and the fact that it is

inextricably linked to poverty and illiteracy, its elimination will require concerted efforts from all sections of the society.

i) Child Labour (Prohibition & Regulation) Act, 1986

The **Child Labour (Prohibition & Regulation) Act, 1986** was enacted to prohibit the engagement of children below the age of fourteen years in factories, mines and hazardous employments and to regulate their conditions of work in certain other employments.

ii) Bonded Labour System (Abolition) Act, 1976

The **Bonded Labour System (Abolition) Act, 1976** was enacted to provide for the abolition of bonded labour system with a view to preventing the economic and physical exploitation of the weaker sections of the people and for matters connected therewith or incidental thereto. It freed unilaterally all the bonded labourers from bondage with simultaneous liquidation of their debts. It made the practice of bondage a cognizable offence punishable by law.

The Act is being administered and implemented by the Ministry of Labour and the State Governments concerned.

c. Laws related to Employment & Training

Skill building and training of the employees on a continuous basis is very important for an organization. Training is the process of increasing the knowledge, skills, aptitude and abilities of an employee for doing the specific job in an efficient manner. It implies imparting technical knowledge, manipulative skills, problem solving ability and positive attitude into the employee. The resources used up in human resource training are an investment in human assets and the skills acquired in the process are an advantage for both the enterprise and the employees.

Technological changes, emergence of global markets for products and services, international competition, new business strategies, new management practices and new forms of business organization are among the significant developments which have made employee training necessary for sustaining the competitiveness of an organization. It improve the productivity of the organization, motivate the workers, upgrade their skills, promote job security and social equity and enhance their employability in the rapidly changing internal and external labour markets.

The **Directorate General of Employment & Training (DGE&T) in Ministry of Labour** is the apex organization for development and coordination at National level for the programmes relating to vocational training and employment services.

i) Apprentices Act, 1961

The **Apprentices Act 1961** was enacted to regulate and control the programme of training of apprentices and for matters connected therewith. The term 'apprentice'

means “a person who is undergoing apprenticeship training in pursuance of a contract of apprenticeship”. While, ‘apprenticeship training’ means “a course of training in any industry or establishment undergone in pursuance of a contract of apprenticeship and under prescribed terms and conditions which may be different for different categories of apprentices”.

The Act makes it obligatory on part of the employers both in public and private sector establishments having requisite training infrastructure. The provisions of this Act shall not apply to - (i) any area or to any industry in any area unless the Central Government by notification in the Official Gazette specifies that area or industry as an area or industry to which the said provisions shall apply with effect from such date as may be mentioned in the notification; and (ii) any such special apprenticeship scheme for imparting training to apprentices as may be notified by the Central Government in the Official Gazette.

Besides, **Department of Higher Education** in the Ministry of **Human Resource Development (MHRD)** is responsible for implementation of the Act in respect of Graduate & Technician (Vocational) Apprentices.

ii) Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959

The **Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959** provides for compulsory notification of vacancies and submission of employment returns (**ER-I and ER-II**) by the employers to the employment exchanges. According to the Act, the term ‘employment exchange’ means “any office or place established and maintained by the Government for the collection and furnishing of information, either by keeping of registers or otherwise, regarding:- (i) persons who seek to engage employees; (ii) persons who seek employment; and (iii) vacancies to which persons seeking employment may be appointed”. Thus, the main activities of the employment exchanges are registration, placement of job seekers, career counseling, vocational guidance and collection of employment market information.

The Act applies to all establishments in the public sector and such establishments in the private sector as are engaged in non-agricultural activities and employing 25 or more workers.

In the **Ministry of Labour, Directorate General of Employment and Training (DGET)** operates **National Employment Service (NES)**. It operates through a net work of 947 employment exchanges and carries out the following functions:

- Registration and placement of job seekers so as to ensure a proper balance between demand and supply.
- Collect comprehensive Employment Market Information on a quarterly basis for creation of database for use in effective management of the demand and supply of labour, preparing career literature for counseling and vocational guidance.

- Career Counseling and Vocational Guidance.
- Conduct area specific specialized study/surveys to have an assessment of skills available and the marketable skills required for encouraging the job seekers for self-employment, particularly in rural informal sector.

Some of the State Governments arrange disbursement of unemployment allowance to certain specific categories of job seekers out of their own resources through the employment exchanges as registered with them.

d. Laws relating to Working Hours, Conditions of Service & Employment

A company can ensure sustained profitability and productivity from its investments only by taking care of its human resources. The most important aspect of it is the work environment provided to the employees including hours of work, leave, safety, rest periods, holidays and other conditions of service of the employees.

The working conditions of an organization shall be such that workers are able to contribute their best efforts and bring about quality output. They should feel safe and comfortable while working. Work environment should be clean, healthy, spacious and hygienic. It should be free from unnecessary noise and disturbances. Satisfactory physical conditions of work such as ventilation, temperature balance, lighting and surroundings, etc. will help to remove workers irritation or stress at work.

There should be proper performance appraisal of employees at regular intervals. Those who perform well should be rewarded. Various incentives and benefits should be given to the employees. A system of wage incentive will assure adequate incomes to employees and convince them that the management is sincerely interested in a better living standard for them and not in greater profits for itself alone.

i) Factories Act, 1948

In India, the Factories Act, 1948 is the umbrella legislation enacted to regulate the working conditions in factories; to ensure provision of the basic minimum requirements for safety, health and welfare of the factories workers as well as to regulate the working hours, leave, holidays, employment of children, women, etc.

According to the **Factories Act, 1948**, a 'factory' means "any premises including the precincts thereof - (i) 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 the aid of power, or is ordinarily so carried on, or (ii) whereon twenty 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 without the aid of power, or is ordinarily so carried on; but this does not include a mine subject to the operation of the **Mines Act, 1952**, or a mobile unit belonging to the armed forces of the union, a railway running shed or a hotel, restaurant or eating place."

The important provisions of the Act are as follows: -

- a No adult worker shall be required or allowed to work in a factory:- (i) for more than forty-eight hours in any week; and/ or (ii) for more than nine hours in any day.
- b Where a worker works in a factory for more than nine hours in any day or for more than forty-eight hours in any week, he shall, in respect of overtime work, be entitled to wages at the rate of twice his ordinary rate of wages. The 'ordinary rate of wages' means the basic wages plus such allowances, including the cash equivalent of the advantage accruing through the concessional sale to workers of food grains and other articles, as the worker is for the time being entitled to, but does not include a bonus and wages for overtime work.
- c Where a worker is deprived of any of the weekly holidays, he shall be allowed, within the month in which the holidays were due to him or within the two months immediately following that month, compensatory holidays of equal number to the holidays so lost
- d The periods of work of adult workers in a factory each day shall be so fixed that no period shall exceed five hours and that no worker shall work for more than five hours before he has had an interval for rest of at least half an hour
- e Every worker who has worked for a period of 240 days or more in a factory during a calendar year shall be allowed during the subsequent calendar year, leave with wages for a number of days calculated at the rate of - (i) if an adult, one day for every twenty days of work performed by him during the previous calendar year; (ii) if a child, one day for every fifteen days of work performed by him during the previous calendar year. In the case of a female worker, maternity leave for any number of days not exceeding twelve weeks.
- f In order to safeguard the health of the workers:-
 - Every factory shall be kept clean and free from effluvia arising from any drain, privy or other nuisance and in particular accumulations of dirt.
 - Effective arrangements shall be made in every factory for the treatment of wastes and effluents due to the manufacturing process carried on therein, so as to render them innocuous and easy for their disposal.
 - Effective and suitable provision shall be made in every factory for securing and maintaining in every workroom adequate ventilation by the circulation of fresh air; and such a temperature that will secure to workers reasonable conditions of comfort and prevent injury to health.
 - No room in any factory shall be overcrowded to an extent injurious to the health of the workers employed therein.
 - Every part of a factory, where workers are working or passing, shall be provided with sufficient and suitable lighting, natural or artificial, or both.
- g In every factory effective arrangements shall be made to provide, at suitable

points conveniently situated for all workers employed therein, a sufficient supply of wholesome drinking water.

h In order to ensure safety of the workers:-

- Every dangerous part of any machinery shall be securely fenced and constantly maintained to keep it in position.
- No young person shall be required or allowed to work at any dangerous machine unless he has been fully instructed as to the dangers arising from it and the precautions to be observed as well as has received sufficient training in work at the machine.
- No woman or child shall be employed in any part of a factory for pressing cotton in which a cotton-opener is at work (subject to the given conditions).
- In every factory every hoist and lift shall be - (i) of good mechanical construction, sound material and adequate strength; (ii) properly maintained, and thoroughly examined by a competent person at least once in every period of six months.
- No person shall be required or allowed to enter any chamber, tank, vat, pit, pipe, flue or other confined space in any factory in which any gas, fume, vapour or dust is likely to be present to such an extent as to involve risk to the workers, unless it is provided with a manhole of adequate size or other effective means of egress.

i Certain facilities to be provided to the workers:-

- Every factory shall provide and maintain readily accessible first-aid boxes or cupboards equipped with the prescribed contents, and the number of such boxes or cupboards shall not be less than one for every one hundred and fifty workers ordinarily employed at any one time in the factory.
- In any factory wherein more than two hundred and fifty workers are ordinarily employed, a canteen or canteens shall be provided and maintained by the occupier for the use of the workers.
- In every factory wherein more than one hundred and fifty workers are ordinarily employed, adequate and suitable shelters, rest rooms and lunchroom, with provision for drinking water, where workers can eat meals brought by them, shall be provided and maintained for the use of the workers.
- In every factory wherein more than thirty women workers are ordinarily employed, there shall be a suitable room or rooms for the use of children under the age of six years of such women. Such rooms shall provide adequate accommodation, lighting and ventilation with clean and sanitary Condition.

ii) Contract Labour (Regulation & Abolition) Act, 1970

The **Contract Labour (Regulation & Abolition) Act** aims at regulating employment of contract labour so as to place it at par with labour employed directly, with regard to the working conditions and certain other benefits. Contract labour refers to the workers engaged by a contractor for the user enterprises. These workers are generally engaged in agricultural operations, plantation, construction industry, ports & docks, oil fields, factories, railways, shipping, airlines, road transport, etc.

The Act applies to every establishment/ contractor in which twenty or more workmen are employed or were employed on any day of the preceding twelve months as contract labour. Every establishment and contractor, to whom the Act applies, has to register themselves or obtain a license for execution of the contract work.

The interests of contract workers are protected in terms of wages, hours of work, welfare, health and social security. The amenities to be provided to contract labour include canteen, rest rooms, first aid facilities and other basic necessities at the work place like drinking water etc. The liability to ensure payment of wages and other benefits is primarily that of the contractor, and in case of default, that of the principal employer.

iii) Mines Act, 1952

The **Mines Act, 1952** contains provisions for measures relating to the health, safety and welfare of workers in the coal, metalliferous and oil mines. According to the Act, the term 'mine' means "any excavation where any operation for the purpose of searching for or obtaining minerals has been or is being carried on and includes all borings, bore holes, oil wells and accessory crude conditioning plants, shafts, opencast workings, conveyors or aerial ropeways, planes, machinery works, railways, tramways, sliding, workshops, power stations, etc. or any premises connected with mining operations and near or in the mining area".

iv) The Building & Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996

The **Building & Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996** was enacted to regulate the employment and conditions of service of building and other construction workers and to provide for their safety, health and welfare measures. The Act is applicable to every establishment, which employs ten or more workers in any building or other construction work, and to the projects costing more than Rs. 10 lakh. The exception made is only in respect of residential houses constructed for own purpose with a cost not exceeding Rs. 10 lakh and such other activities to which the provisions of **Factories Act, 1948** and **Mines Act, 1952** apply.

v) Plantation Labour Act, 1951

The **Plantation Labour Act 1951** provides for the welfare of plantation labour and regulates the conditions of work in plantations. According to the Act, the term 'plantation'

means “any plantation to which this Act, whether wholly or in part, applies and includes offices, hospitals, dispensaries, schools, and any other premises used for any purpose connected with such plantation, but does not include any factory on the premises to which the provisions of the Factories Act, 1948 apply.”

vi) Motor Transport Workers Act 1961

The **Motor Transport Workers Act 1961** was enacted to provide for the welfare of motor transport workers and to regulate the conditions of their work. It applies to every motor transport undertaking employing five or more motor transport workers. The State Government may, after giving notification in the Official Gazette, apply all or any of the provisions of this Act to any motor transport undertaking employing less than five motor transport workers. According to the Act, ‘motor transport undertaking’ means “an undertaking engaged in carrying passengers or goods or both by road for hire or reward and includes a private carrier”.

Every employer of a motor transport undertaking to which this Act applies shall have the undertaking registered under this Act. No adult motor transport worker shall be required or allowed to work for more than eight hours in any day and forty-eight hours in any week. Also, no adolescent shall be employed or required to work as a motor transport worker in any motor transport undertaking for more than six hours a day including rest interval of half-an-hour; and between the hours of 10 P.M. and 6 A.M.

vii) Sales Promotion Employees (Conditions of Service) Act 1976

The **Sales Promotion Employees (Conditions of Service) Act 1976** was enacted to regulate certain conditions of service of sales promotion employees in certain establishments. According to the Act, the term ‘sales promotion employees’ means, “any person by whatever name called (including an apprentice) employed or engaged in any establishment for hire or reward but does not include any such person:- (i) who, being employed or engaged in a supervisory capacity, draws wages exceeding sixteen hundred rupees per month; or (ii) who is employed or engaged mainly in a managerial or administrative capacity”.

The Act shall apply to every establishment engaged in the pharmaceutical industry. The Central Government may, by notification in the Official Gazette, apply the provisions of this Act, to any other establishment engaged in any notified industry. Every employer in relation to an establishment shall keep and maintain such registers and other documents and in such manner as may be prescribed.

viii) Shops and Establishments Act, 1953

The **Shops and Establishments Act, 1953** was enacted to provide statutory obligation and rights to employees and employers in the unorganized sector of employment, i.e. shops and establishments. It is applicable to all persons employed in an establishment with or without wages, except the members of the employer’s family. It is a State legislation and

each State has framed its own rules for the Act. The State Government can exempt, either permanently or for a specified period, any establishments from all or any provisions of this Act. The Act provides for compulsory registration of shop/ establishment within thirty days of commencement of work and all communications of closure of an establishment within 15 days from its closing. It also lays down the hours of work per day and week as well as the guidelines for spread-over, rest interval, opening and closing hours, closed days, national and religious holidays, overtime work, etc.

ix) Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act 1979

The **Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act 1979** was enacted to protect the rights and safeguard the interest of migrant workers. The Act intends to regulate the employment of inter-state migrant workmen and to provide their conditions of service. It applies to every establishment and the contractor, who employ five or more inter-state migrant workmen.

e. Laws relating to Social Security and Compensation

Social Security is increasingly viewed as an integral part of the development process because it helps to create a more positive attitude to the challenge of globalization and the consequent structural and technological changes. It envisages that the employees shall be protected against all types of social risks that may cause undue hardships to them in fulfilling their basic needs. The workers do not have enough financial resources to face such risks arising due to sickness, accidents, old age, diseases, unemployment, etc. and also do not have alternative source of livelihood to help them in the period of adversity. Hence, it becomes the obligation of the State to help the workers by providing them the social safety cover. This fact has been recognized by our policymakers and accordingly, the matters relating to social security are listed in the Directive Principles of State Policy and the Concurrent List.

i) Payment of Gratuity Act, 1972

The umbrella legislation relating to gratuity is the **Payment of Gratuity Act, 1972**. The Act was enacted to provide for a scheme for the payment of gratuity to employees engaged in factories, mines, oilfields, plantations, ports, railway companies, shops or other establishments employing ten or more persons and for matters connected therewith or incidental thereto. The appropriate Government may, by notification, and subject to such conditions as may be specified in the notification, exempt any establishment to which this Act applies or any employee or class of employees employed therein, from the operation of the provisions of this Act, if in the opinion of the appropriate Government, the employees in such establishment are in receipt of gratuity or pensioner benefits not less favourable than the benefits conferred under this Act.

ii) Workmen's Compensation Act, 1923

The **Workmen's Compensation Act, 1923** provides for payment of compensation to workmen and their dependents in case of injury and accident (including certain occupational disease) arising out of and in the course of employment and resulting in disablement or death. The Act applies to railway servants and persons employed in any such capacity as is specified in Schedule II of the Act. The schedule II includes persons employed in factories, mines, plantations, mechanically propelled vehicles, construction works and certain other hazardous occupations.

The amount of compensation to be paid depends on the nature of the injury and the average monthly wages and age of workmen. The minimum and maximum rates of compensation payable for death (in such cases it is paid to the dependents of workmen) and for disability have been fixed and is subject to revision from time to time.

A **Social Security Division** has been set up under the Ministry of Labour and Employment, which deals with framing of social security policy for the workers and implementation of the various social security schemes. It is also responsible for enforcing this Act.

Whoever, fails to maintain a notice-book which he is required to maintain; or fails to send to the Commissioner a statement which he is required to send; or fails to send a report which he is required to send; or fails to make a return which he is required to make, shall be punishable with fine.

iii) Employees' Provident Fund and Miscellaneous Provisions Act, 1952

The umbrella legislation relating to provident fund is the **Employees' Provident Funds & Miscellaneous Provisions Act, 1952 (EPF & MP Act)**.

The Act was enacted with the main objective of making some provisions for the future of industrial workers after their retirement and for their dependents in case of death. It provides insurance to workers and their dependents against risks of old age, retirement, discharge, retrenchment or death of the workers. It is applicable to every establishment, which is engaged in any one, or more of the industries specified in Schedule I of the Act or any activity notified by Central Government in the Official Gazette and employing 20 or more persons.

The Act is administered by the Government of India through the **Employees' Provident Fund Organisation (EPFO)**. EPFO is one of the largest provident fund institutions in the world in terms of members and volume of financial transactions that it has been carrying on.

The main provisions of the Act are:-

The Act aims to provide for institution of provident funds, family pension funds and deposit linked insurance funds for the employees in the factories and other establishments. Accordingly, three schemes are in operation under the Act.

These three schemes are as follows:-

- Employees' Provident Fund Scheme, 1952
- Employees' Deposit Linked Insurance Scheme, 1976
- Employees' Pension Scheme, 1995 (replacing the Employees' Family Pension Scheme, 1971)

iv) Employees' State Insurance Act, 1948

The **Employees' State Insurance Act, 1948 (ESI Act)** provides for health care and cash benefit payments in the case of sickness, maternity and employment injury. The Act applies to all non-seasonal factories run with power and employing 10 or more persons and to those factories, which run without power and employing 20, or more persons.

The **Employees' State Insurance Corporation (ESIC)** is the premier social security organization in the country. It is the highest policy making and decision taking authority under the ESI Act and oversees the functioning of the ESI Scheme under the Act.

The Act provides **six social security benefits:-**

- Medical Benefit
- Sickness Benefit (SB)
- Maternity Benefit (MB)
- Disablement Benefit
- Dependents' Benefit (DB)
- Funeral Expenses

f. Laws relating to Equality and Empowerment of Women

In today's liberalized scenario, women form an indispensable part of the Indian workforce. In such an environment, the quality of women's employment is very important and depends on several factors. The foremost being equal access to education and other opportunities for skill development. This requires empowerment of women as well as creation of awareness among them about their legal rights and duties. In order to ensure this, the Government of India has taken several steps.

It has been implementing many programmes, which aim at providing access to education and vocational training to women. The most important being, the '**Women's Vocational Training Programme**' launched under the **Directorate General of Employment & Training (DGE&T)** in the **Ministry of Labour**. The programme attempts to promote the women employment in industry (mainly organized sector) as semi-skilled, skilled and highly skilled workers by increasing their participation in skill training facilities. Under this programme, a separate 'Women's Training Wing' has been set up at DGE&T Headquarters, which is responsible for designing and pursuing long term policies related to providing vocational training to women in the country. Also, as part of the programme, in the Central Sector, **one National and ten Regional Vocational Training Institutes**

have been set up in different parts of the country. While, in the State Sector, a network of exclusive 'Women Industrial Training Institutes (WITIs)' have been set up under the administrative control of the State Governments. These institutes provide basic skill training to women.

Also, the Government has been making efforts for creating a congenial work environment for women workers. For this purpose, a separate 'Cell for Women Labour' has been set up in the Ministry to focus attention on the condition of working women and bring about an improvement therein. The Cell has the following functions:-

- Formulation and coordination of policies and programmes for the female labour force within the framework of national manpower and economic policies.
- Maintaining liaison with other Government agencies to secure effective implementation of the programmes in respect of women workers.
- Monitoring the implementation of the **Equal Remuneration Act, 1976**.
- Setting up of an Advisory Committee under the Equal Remuneration Act, 1976.
- Giving grants-in-aid to Non-Governmental Organizations/ Voluntary Organizations to formulate and execute action oriented projects for women workers.

Moreover, a number of protective provisions have been incorporated in the various laws enacted for equality and empowerment of women, the proper enforcement of which will create an enabling environment for women workers.

i) Maternity Benefit Act, 1961

The **Maternity Benefit Act, 1961** regulates employment of women certain establishments for a certain period before and after childbirth and provides for maternity and other benefits. Such benefits are aimed to protect the dignity of motherhood by providing for the full and healthy maintenance of women and her child when she is not working. The Act is applicable to mines, factories, circus industry, plantations, shops and establishments employing ten or more persons, except employees covered under the Employees' State Insurance Act, 1948. The State Governments can extend it to other establishments.

The Central Industrial Relations Machinery (CIRM) in the Ministry of Labour is responsible for enforcing this Act. CIRM is an attached office of the Ministry and is also known as the Chief Labour Commissioner (Central) [CLC(C)] Organization. The CIRM is headed by the Chief Labour Commissioner (Central).

ii) Equal Remuneration Act, 1976

The **Equal Remuneration Act, 1976** aims to provide for the payment of equal remuneration to men and women workers and for the prevention of discrimination, on the ground of sex, against women in the matter of employment and for matters connected therewith or incidental thereto. According to the Act, the term 'remuneration' means "the basic wage

or salary and any additional emoluments whatsoever payable, either in cash or in kind, to a person employed in respect of employment or work done in such employment, if the terms of the contract of employment, express or implied, were fulfilled”.

g. Labour Welfare fund Act for unorganised sector

Labour welfare refers to all such services, amenities and facilities to the employees that improves their working conditions as well as standard of living. The term labour welfare bears a different interpretation from country to country and from time to time, and even in the same country, according to its value system, social institution, degree of industrialization and general level of social and economic development. Generally, the labour welfare services are divided into two groups:-

- Welfare within the precincts of an establishment - It includes medical aid, crèches, canteens, supply of clean drinking water, health services, uniforms and protective clothing, rest shelters, etc. It is the employer's responsibility to provide these facilities to his/ her employees and several legislations have been enacted to set certain minimum standards for provision of these facilities.
- Welfare outside the establishment - It includes social insurance measures like gratuity, pension fund, provident fund etc.; educational facilities; housing facilities; recreational facilities; workers' cooperatives; vocational training, etc.

In order to extend a measure of social assistance to workers in the unorganized sector, the concept of '**Labour Welfare Fund**' was evolved. Accordingly, five welfare funds have been set up under the **Ministry of Labour and Employment** to provide housing, medical care, educational and recreational facilities to workers employed in beedi industry, certain non-coal mines and cine workers. These funds are financed out of the proceeds of cess levied under respective Cess/Fund Acts. The various legislation so enacted include:-

- **The Mica Mines Labour Welfare Fund Act, 1946**
- **The Limestone and Dolomite Mines Labour Welfare Fund Act, 1972 -**
- **The Iron Ore Mines, Manganese Ore Mines & Chrome Ore Mines Labour Welfare Fund Act, 1976-**
- **The Beedi Workers Welfare Fund Act, 1976**
- **The Cine Workers Welfare Fund Act, 1981**

The scheme of Welfare Funds is outside the framework of specific employer and employee relationship, in as much as the resources are raised by the Government on a non-contributory basis and delivery of welfare services affected without linkage to individual worker's contribution.

5. Monopolies & Restrictive Trade Practices (MRTP) Act, 1969

The main legislation governing competition in India is the **Competition Act, 2002** which repealed the **Monopolies and Restrictive Trade Practices (MRTP) Act, 1969** and

provided for a modern framework of competition protection. The main objectives of the Act are:- (i) to provide for the establishment of a commission to prevent practices having adverse effect on competition; (ii) to promote and sustain competition in markets in India ; (iii) to protect the interests of consumers; (iv) to ensure freedom of trade carried on by the participants in the markets in India and for related matters.

Competition refers to a market situation in which sellers independently strive for buyer's patronage in order to achieve the business objectives of profits, sales or market share. In other words, it is the act of competing by an enterprise against other business enterprises for the purpose of achieving dominance in the market or attaining a reward or goal. It is the foundation on which a market system works. For market economy to function effectively, this competition has to be free and fair. Such a competition:- stimulates innovation and productivity and thus leads to the optimum allocation of resources in the economy; guarantees the protection of consumer interests; reduces costs and improves quality; accelerates growth and development and preserves economic and political democracy.

In the absence of adequate safeguards, enterprises may undermine the market by resorting to unfair practices for their short-term gains. As a result, market-distortionary practices and anti-competitive forces may restrict the working of healthy competition in an economy. Thus, there arises the need to have a proper regulatory environment, which can ensure a healthy competition so that all business enterprises can grow and expand and stimulate economic development of the country. Accordingly, Government has formulated a **Competition Policy**, which protects the interests of consumers and producers by promoting and sustaining a fair competition. As per the provisions of the Competition policy, the Government of India has enacted the Competition Act.

Under the Act, an autonomous body called **Competition Commission of India (CCI)** has been set up with regulatory and quasi-judicial powers. To build and further strengthen the capacity of the functionaries of the Commission, the Competition Commission of India has established a **Competition Forum** with eminent personalities in the field of law, economics, finance, public administration, management and such other fields as are deemed appropriate.

The horizontal agreements are the agreements between those enterprises, which are at the same stage of production, services, etc. It includes, any collusive agreement which: -

- Directly or indirectly determines purchase or sale prices;
- Limits or controls production, supply, markets, technical development, investment or provision of services;
- Shares the market or source production or provision of services by way of allocation of geographical area of market, or type of goods or services, or number of customers in the market or in any other similar way;
- Directly or indirectly results in bid rigging or collusive bidding.

The vertical agreements are the agreements between those enterprises, which are at the different stages of production, distribution, etc. It includes the following agreements: -

- Tie-in arrangement;
- Exclusive supply agreement;
- Exclusive distribution agreement;
- Refusal to deal;
- Resale price maintenance.

The Act **prohibits abuse of dominant position** by any enterprise. Dominant position means a position of strength, enjoyed by an enterprise, in the relevant market in India. Such a position enables a firm to:-

- i Operate independently of competitive forces prevailing in the relevant market;
- ii or Affect its competitors or consumers or the relevant market in its favour .

IV. Arbitration & Conciliation Act, 1996

The Arbitration and Conciliation Act, 1996 is the prime legislation relating to domestic arbitration, international commercial arbitration and enforcement of foreign arbitral awards and also to define the law relating to conciliation and for matters connected therewith or incidental thereto. It repealed the three statutory provisions for arbitration:

(i) the Arbitration Act, 1940

(ii) the Arbitration (Protocol and Convention) Act, 1937

(iii) the Foreign Awards (Recognition and Enforcement) Act, 1961

Domestic Arbitration is defined as an alternative dispute resolution mechanism in which the parties get their disputes settled through the intervention of a third person and without having recourse to the court of law. It is a mode in which the dispute is referred to a nominated person who decides the issue in a quasi-judicial manner after hearing both sides. Generally, the disputing parties refer their case to an arbitral tribunal and the decision arrived at by the tribunal is known as an 'award'.

While, the term 'international commercial arbitration' means "an arbitration relating to disputes arising out of legal relationships, whether contractual or not, considered as commercial under the law in India and where at least one of the parties is:- (i) an individual who is a national of, or habitually resident in, any country other than India; or (ii) a body corporate which is incorporated in any country other than India; or (iii) a company or an association or a body of individuals whose central management and control is exercised in any country other than India; or (iv) the Government of a foreign country".

V. Laws relating to Doing Business Abroad

An entrepreneur while expanding and growing his/her business abroad must take into account the basic legal framework of the particular foreign country as well. It is necessary

for him/ her to abide by such laws and regulations in order to ensure efficient and healthy functioning of the organization and face the various challenges that he/ she may encounter abroad.

In order to encourage capital inflows and provide safe business environment for all investments abroad, many countries have entered into bilateral investment treaties or agreements. Bilateral Investment Promotion and Protection Agreement (BIPA) is one such bilateral treaty which is defined as an agreement between two countries (or States) for the reciprocal encouragement, promotion and protection of investments in each other's territories by the companies based in either country (or State). These bilateral agreements have, by and large, standard elements and provide a legal basis for enforcing the rights of the investors in the countries involved. The Government of India has, so far, signed BIPAs with 58 countries out of which 49 BIPAs have already come into force and the remaining agreements are in the process of being enforced.

In India, the most important law which regulates all foreign exchange transactions including investments abroad is the Foreign Exchange Management Act (FEMA), 1999 . It is an investor friendly legislation, which aims to facilitate external trade and payments as well as to promote an orderly development and maintenance of foreign exchange market. Under the Act, Reserve Bank of India (RBI) has been authorized to frame various rules, regulations and norms pertaining to overseas investments in consultation with the Central Government.

1. Bilateral Investment Promotion and Protection Agreement (BIPA)

With the opening up of the economies world over, each country has been trying to attract foreign capital through liberalized investment policies. In such a scenario, all investors are seeking those investment destinations, which provide most protective, hospitable and profitable climate for their investments. Hence, many countries have entered into bilateral investment treaties or agreements, which not only encourage capital flows into their own countries but also provide safe business environment for their own investors abroad.

Bilateral Investment Promotion and Protection Agreement (BIPA) is one such bilateral treaty which is defined as an agreement between two countries (or States) for the reciprocal encouragement, promotion and protection of investments in each other's territories by the companies based in either country (or State). The purpose of these agreements is to create such conditions, which are favourable for fostering greater investments by the investors of one country in the territory of the other country. Such agreements are beneficial for both the countries because they stimulate their business initiatives and thus enhance their prosperity.

2. Foreign Exchange Management Act (FEMA)

In India, all transactions that include foreign exchange are regulated by the **Foreign**

Exchange Management Act (FEMA), 1999. FEMA has been enacted to facilitate external trade and payments and to promote the orderly development and maintenance of foreign exchange market. It applies to all branches, offices and agencies outside India, owned or controlled by a person resident in India. According to the Act, the term 'foreign exchange' means "foreign currency and includes:-(i) deposits, credits and balances payable in any foreign currency; ii) drafts, travellers cheques, letters of credit or bills of exchange, expressed or drawn in Indian currency but payable in any foreign currency; (iii) drafts, travellers cheques, letters of credit or bills of exchange drawn by banks, institutions or persons outside India, but payable in Indian currency".

The **Reserve Bank of India (RBI)** has been assigned the function of administering the various provisions of FEMA. The Reserve Bank of India, in consultation with the Central Government, lays down the rules, regulations and norms pertaining to several sections of the Act.

Questions

1. What are the causes of industrial disputes?
2. What are the basic objectives of Industrial Dispute Act?
3. Trade Union Act is formed to promote and protect interests and welfare of wage workers. Explain.
4. Which are the key regulations?
5. Explain Minimum Wages Act, 1948
6. What are important provisions of Factories Act?

Indian startup sector draws a big wish list for attention of New Government

India's burgeoning startup sector has drawn up a long wish list for the attention of Prime Minister Narendra Modi, who has come in power on 26th May 2014 with demands ranging from clarity on regulatory policy to uniform taxation across the country.

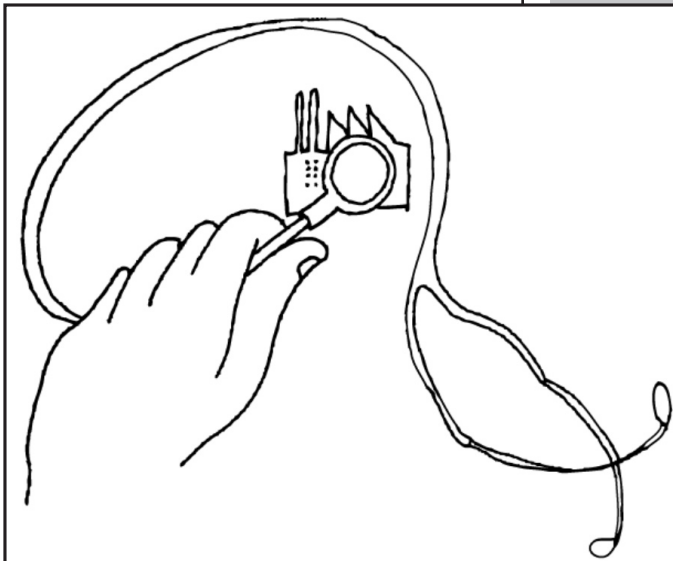
- High on the list is a demand for 100% foreign direct investment (FDI) for the fast-growing online retail industry and education firms, and tax breaks for angel investors.
- The new stable & progressive government" to encourage and nourish entrepreneurship
- Reformation of tax structure (direct & indirect) for startups
- Open new incubators that provide free office space and connectivity to startups.
- Faster implementation of the goods and services tax (GST) legislation which will reduce red tape, paperwork and encourage e-commerce logistics in India,"
- There should be no more tax terrorism. Unpredictability is what hurts investors most.

- There should be incentives to buy locally-made software products.
- Looking at the growth of startups in India and the attention they are getting, there should be a separate ministry for SMEs which helps to expedite reforms.
- Build an intelligent and confident India by fostering technology adoption, sprucing up infrastructure, ensuring last mile connectivity, reduce VAT and provide access to easy bank loans.
- An ecosystem for manufacturing; duty reform, amending exchange rate variation clause for IT hardware, and subsidies for PC penetration.
- Focus on true developments and become truly productive, efficient and self-sufficient, business Friendly, especially startups.
- e-Governance for all govt. business interactions
- Focus on infrastructure, Uninterrupted Electricity
- Creation of more cities and thus giving a chance to demographic dividend
- Skill Development, making higher Education competitive, making youth ready for Corporate life
- Incentivize HNI's (High Net worth Individuals) to invest in risky startups as compared to black money dominated Real Estate.
- Good governance, minimum bureaucracy, Catalyst of overall development,
- Personal Safety & National Security with good economy.
- And the list goes on..

Prime Minister Narendra Modi has listed out of Government's top 10 priorities for the economy in the initial stage, directing his cabinet to work out a road map for the same with a focus on delivering good governance.

1. Build confidence in the bureaucracy
2. Welcoming innovative ideas and giving freedom to bureaucrats in their work
3. Education, health, water, energy and roads will be given priority
4. Transparency in the government. E-auction will be promoted
5. A system will be in place for inter-ministerial issues
6. A people-oriented system to be put in place in the government machinery
7. Addressing concerns related to the economy
8. Infrastructure and investment reforms
9. Implementing policy in a time bound manner
10. Stability in government policy

Mr Modi has already moved to break through governmental gridlock. He has announced the rough outlines of a "rationalization" of the administrative apparatus, which would improve co-ordination, effectiveness and speed of decision-making. There are high hopes of big economic change, acceleration of growth and the ease of doing business.



BUSINESS SICKNESS- CAUSES & REMEDIAL MEASURES

BUSINESS SICKNESS - CAUSES & REMEDIAL MEASURES

- A. Sickness in MSMEs**
- B. The Root Cause of Failure in Entrepreneurship**
- C. Sickness in MSMEs – Reasons and Remedies**
- D. Diagnosis**
- E. How to Avoid Small Business Failures**
- F. Revival Plan**
- G. Role of Concerning Agencies & Remedial Measures**
- H. Closing or Changing the Business**
- I. Conclusion**

A. Sickness in MSMEs

The micro, small and medium enterprises (MSMEs) is aptly regarded as the backbone of the Indian economy. Industrial sickness is a universal phenomenon. The problem of sickness in industries has become very acute in India. It has adversely affected the health of the industrial sector in particular and the economy in general. Sickness is more severe in a mixed economy like India because here, in the name of employment, balanced regional growth, public welfare, import substitution, checking concentration of wealth. Real causes of sickness are overlooked. Despite the extra ordinary synchronized global slump, small-scale industries acted as a prime mover in slipping up industrial growth, enhancing poverty alleviation and bringing about sustainability. There is growing recognition worldwide that MSMEs have an important role to play in the present context given their greatest resource use efficiency, capacity for employment generation, technological innovation, promoting inter sectoral linkages, raising exports and developing entrepreneurship skills.

Small units are more prone to failure and sickness than the medium and large-scale industries. A sick unit on the other hand is one, which is making losses, defaulting on the repayment of loans and payment to creditors. A sick unit is one, which fails to generate internal surplus, on a contributing basis, to meet its obligations. Sickness in industrial units is a gradual process and does not develop suddenly. In the initial states, it gets reflected in the form of defects and mistakes in the unit's functional areas like production, finance and management. Later it is observed in the form of symptoms like irregular or unsatisfactory turnover in the account, slow and unsatisfactory movement of stocks, decline in production, sales and profitability, frequent violation of terms and conditions and asking for additional grants.

Rapid industrial growth has brought in its wake incidence of sickness in the industrial sector including small-scale industries.

Definition: The MSMEs should be considered as sick if it has, at the end of any accounting year, accumulated losses to or exceeding 50 per cent of its peak net worth in the immediately preceding five accounting years.

According to Companies (Second Amendment) Act, 2002 : Definition of a sick industrial company was changed by the Companies (second Amendment) Act, 2002. According to this Act, sick industrial company means an industrial company, which has

- i) Accumulated losses in any financial year which are equal to 50 per cent or more of its average net worth during four years immediately preceding such financial year: or
- ii) Fails to repay its debt within any three consecutive quarters on demand made in writing for its repayment by a creditor or creditors of such company.

The particulars of sickness relating to MSMEs sector in India are presented in Table below.

Sickness in MSMEs sector of India during 1998 to 2011.

Year	Total ssi units in lakh	Sick units in lakhs	Percentage	Total Investment in Crores	Sick units Investment in Crores	Percentage
1997-98	89.71	2.21	2.46	133242	3857	2.89
1998-99	93.96	3.06	3.26	135482	4313.48	3.18
1999-00	97.15	3.04	3.13	139982	4608.43	3.29
2000-01	101.1	2.49	2.46	146845	4505.54	3.07
2001-02	105.21	1.77	1.68	154349	4818.95	3.12
2002-03	109.49	1.67	1.53	162317	5706.35	3.52
2003-04	113.95	1.43	1.25	170219	5284.54	3.10
2004-05	1118.59	1.38	1.16	178699	5380.13	3.01
2005-06	123.42	1.26	1.02	188113	4981.13	2.64
2006-07	261.01	1.14	0.43	500758	5266.65	1.05
2007-08	272.79	0.85	0.31	558190	3082.72	0.58
2008-09	285.16	1.02	0.36	621753	3308.00	0.54
2009-10	298.08	0.77	0.26	693835	5231.15	0.75
2010-11	311.52	0.90	0.29	773487	5211.25	0.67

Source : 1. Government of India, Ministry of Micro, Small and Medium Enterprises, Annual Report 2011-2012.
2. Reserve Bank of India, Hand book of Statistics on Indian Economy, 2011-2012.

It can be noticed from the Table that there were 89.76 Lakhs MSMEs units in 1998 and their number has steadily increased year by year to 311.52 laks units in 2011. The percentage of sick units among the MSMEs was 2.46 per cent in 1998 and it gradually went up to 3.13 in 2000 and declined to a level of 0.29 per cent in 2011. The total investment in MSMEs units was reported at Rs. 1, 33,242 Crores in 1998, of which investment incurred on sick units has been worked out to 2.89 per cent. The percentage

of investment of sick units was revolving in the range of 3.52 per cent to 0.67. The maximum percentage of 3.52 percent was observed during the year 2003. In absolute terms, the investment in sick units increased year after year as there was increase in investment in MSMEs units.

The sickness process

	Healthy Unit Criteria	Tending towards Sickness Criteria	Incipient of Sickness	Sick	Increasing Sickness or Closure
1	Cash Profit +	Cash Profit/Loss			
2	Net working capital +	Net working capital +			
3	Net Worth	Net Worth	or more negative	All negative	

Initially a healthy unit may show good cash profit and may have positive values of net working capital and net worth. As it tends towards sickness, at first cash profit may become negative although the unit may continue to pay its installments to the term lending institution. As sickness grows more and more through other stage, two or more financial parameters may become negative. The negative values do signal sickness. These initial stages require careful monitoring. For such purpose, a forewarning system which signals the probable sickness of industrial concerns before any loss is inflicted upon the concerned parties would prove to be of great utility. It would provide a warning to all the concerned parties to reconsider their situation and take prompt and appropriate action.

It is a well-established fact that earlier the trouble is detected, more easily and economically it may be countered. Early detection of sickness possibly may enable the management to take timely action to avert the crisis of such an occurrence. If there exists a forewarning system, which helps in predicting corporate sickness, the attention can be focused on those concerns, which are going towards sickness.

The Chairman of the Industrial Finance Corporation of India (IFCI) mentioned on 33rd Annual General Meeting about the importance of an effective monitoring system, “One is well aware of the sickness in industry. While it is not possible to avoid sickness in the industry entirely, it has come to be clearly recognized that:-

- This process can be considerably controlled with effective monitoring, and timely steps to ensure prevention of sickness, and
- By rehabilitation of some of the units which have become sick, but which are potentially viable. This can be feasible only when some monitoring system is in force.”

Companies do not go burst “overnight” as many people think. The process of sickness can take years and thus the seeds of sickness may be discernible very early in the story of a company’s rise and decline. The forewarning system would help in reducing, if not completely eliminating, the irreparable loss to the interested parties caused by corporate collapse. An early warning signal or probable failure will enable both management and investors to take preventive measures; operating policy changes, reorganization of financial structure, and even voluntary liquidation will usually shorten the length of time losses are incurred and thereby improve both private and social resource allocation.

Stages of Sickness

The process of sickness can be discussed in following different Stage of Sickness:

Stage I (Normal/Healthy)

A normal or healthy unit may have the followings features:

- All functional areas viz, production, marketing, finance and personnel are normal and efficient.
- Generating good cash profit.
- Positive value of net working capital or current ratio more than one.
- Positive value of net worth.
- Satisfactory debt equity ratio.

Stage II (Tending Towards Sickness)

This stage may have the following features:-

- The unit may have positive values of net working capital and net worth and may not have listed as defaulter in the records of banks and financial institution.
- Decline in profit during last year.
- Losses estimated in the current year.

Stage III (Incipient Sickness)

This stage may have following features:

- Cash losses incurred in last year are expected in current year also.
- Deterioration anticipated in current year although current ratio was more than 1 during last year.
- Deterioration anticipated in debt equity ratio during current year.

Stage IV (Final Stage)

A unit is categorized actually sick on the basis of the following criteria:-

- Erosion of net worth by 50% and more.
- Units being closed for a total period of 6 months and more during the past year.
- Default in payment of loan installment.

It is generally, observed that the remedial measures are taken too late. Consequently, it becomes as expensive affair to bring the sick unit back to a healthy state. If the sickness is not arrested timely, incidence of sickness leads to incidence of closure ultimately.

Classification of industrial sickness

Broadly speaking, the cause of sickness may be classified as under:

As per nature of sick unit, it can be categorized under three groups viz., Born Sick, Become Sick and Made Sick.

1. Born Sick

Sickness is not always a post-implementation feature. Some industrial projects are born sick from the very inception owing to ill-conceived projects, bad planning and poor appraisal, wrong choice of location and product selection, inadequate market surveys, false fixed investment decisions and one customer – one product, type situation etc. Mostly the units established by the government under social welfare scheme come in this category.

2. Become Sick

Some industrial projects may become sick due to internal causes. In such circumstances, sickness starts at last stage of project implementation as a result of poor management and deliberate diversion of funds. The factors like wrong recruitment and faulty management policies are responsible for this.

3. Made Sick

In this category, sickness is thrust upon them due to external causes beyond the control of the management, mostly attributed to environmental factors such as sudden changes in government policies, technological changes, macro – political, social and economic problems. It is a product of weak management of an entrepreneur.

B. The Root Cause of Failure in Entrepreneurship

Success in business is never automatic. It isn't based on luck. It depends primarily on the owner's foresight and organization. Even then, of course, there are no guarantees.

It is the well-known fact that over 40% of small businesses go out of business within the first year and 80% will close their doors within five years. What wrong are all of these entrepreneurs doing? What can you do to avoid the such occurrence?

The first step to fixing a problem is identifying what it is. So let's take a look quickly at some of the reasons why most businesses fail. If you are looking to start a business or have already started a business of your own, you can use these tips to hopefully avoid some of these pitfalls in your own business career.

1. Wrong Motivation

If your only intention for getting into business is to make lots of money then your resolve and mental toughness will be tested greatly if after five years you haven't even earned a profit.

2. Poor Management

New business owners frequently lack relevant business and management expertise in almost all business functions and do not have enough capital to hire the necessary people to take care of what they do not know. Unless they recognize what they don't do well, and more importantly seek help, business owners may soon face disaster.

3. No Mentorship and Lack of Experience

A lot of the setbacks and hiccups, failures and hurdles that are encountered along the way can either be avoided or alleviated with the help of a business mentor. A mentor can help you identify potential pitfalls as well as foresee certain setbacks you will face if you continue what you are doing.

4. Failure to Change with the Times

The only constant thing in business is change. The ability to recognize opportunities and be flexible enough to adapt to changing times is key ingredient to surviving and even prospering in the toughest business climate. The challenge is that most new entrepreneurs are so excited about their idea that they fail to see some of the adversities of pursuing it. They choose to ignore their competition that most times are more familiar with the industry and are leveraging the changes in the marketplace.

5. Inadequate Goal-Setting

Business owners often fail to establish clear goals and create plans to achieve those goals, especially before starting out, when they fail to develop a complete business plan before launching their company. You can't achieve your goal if you do not have one. Having a goal gives you purpose and direction. Write down your goals and review them continuously.

6. Lack of a well defined purpose

Lack of a well-defined purpose is the major reason why entrepreneurs fail to succeed in business. "Definiteness of purpose is the starting point of all achievements." – W. Clement Stone

7. Lack of self discipline

The worst thing about an entrepreneur is lack of self-discipline and for that there is no remedy. Discipline starts with self-control and self-control is a product of a strong self-imposed personal standard.

8. Procrastination

Procrastination is a result of laziness and strong resistance to leave your comfort zone. But let's face reality, every one of us has at one time or the other procrastinated. There is nothing wrong in that, but the evil comes when it becomes a habit.

9. Over Cautiousness

Over cautiousness is the brainchild of fear. Inability to take action despite tremendous proof. Entrepreneurs with the right business idea, the right plan and everything needed to start but they just do not make a move. They are waiting for the perfect economy; the perfect trend and the perfect time. They want all lights to go green before they leap. The sad news is that in business, all lights never go green. "It's the duty of an entrepreneur to grab one piece and start the business, the remaining two pieces will be found along the way.

10. Lack of persistence

Lack of persistence is the primary reason why entrepreneurs fail to succeed in business. Some entrepreneurs start their business on a very good note with high expectations but if their expectations are not met, they get weary and just when they are about to breakthrough; they quit and say "it doesn't work." They quit when just a little more persistence could have made the difference between success and failure. "You can always quit, so why quit now."

-Rich Dad Poor Dad by Roobert Kiyosaki.

11. Bad business associates

If you take advice from your most trusted friends who are not entrepreneurs; then your chances of succeeding in business are slim. No more, no less."It is better to hang out with people better than you. Pick out associates whose behavior is better than yours and you will drift in that direction." – Warren Buffett

12. Lack of focus

Start a business and focus on it. Even if it's your dream to own multiple businesses; start with one and then diversify at the right time."Concentrate your energy, your thoughts and your capital." – Andrew Carnegie Bill Gates worked on Microsoft for years; Warren Buffet did the same with Berkshire Hathaway. "The men who have succeeded are men who have chosen one line and stuck to it." – Andrew Carnegie

13. Lack of enthusiasm

Enthusiasm is simply passion, self-encouragement or zeal. No great business can ever be built without enthusiasm on the part of the entrepreneur. If you are not enthusiastic or passionate about your business; you will fail out rightly.

14. Lack of integrity

“It takes 20 years to build a reputation and only five Minutes to ruin it. If you think about that, you will do things differently.” – Warren Buffett

Above all things, your greatest asset in business is your reputation. Most entrepreneurs fail because they lack integrity. All over the world, investors, customers, suppliers are looking for entrepreneurs they can trust.

15. Desire for instant gratification

Some entrepreneurs desire instant reward; they want to get rich quick now. However, they fail to recognize that it takes time to build a successful business. There is no short cut to success, you must give your business time to grow and yield profits. “Patience; it’s the most important attribute to creating wealth, it’s the greatest business asset. Wait for the right time to make your moves. Let your business grow naturally, not by pressing your luck.” – J. Paul Getty

Major reasons reported by sick / incipient sick units

Reason for sickness / incipient sickness	Peoportion of sick / incipient sick units
1. Lack of demand	41.94%
2. Shortage of working capital	20.49%
3. Non-availability of raw material	5.11%
4. Power shortage	5.71%
5. Labour problems	5.64%
6. Marketing problems	11.48%
7. Equipment problems	3.17%
8. Management problems	6.46%

C. Sickness in MSMEs - Reasons

The nature & causes of sickness differs from industry to industry, area to area, size to size & because of a host of other factors.

A. Internal Causes (Mostly, under control)**1. Planning**

- Technical feasibility
- Inadequate technical know-how
- Locational disadvantage
- Outdated production process

2. Economic viability

- High cost of inputs
- Break-even point too high

- Uneconomic size of project
- Under-estimation of financial requirements
- Unduly large investment in fixed assets
- Over-estimation of demand
- Cost overruns resulting from delays in getting licences and sanctions etc.

3. Production Management

- Inappropriate product-mix
- Poor quality control
- Poor capacity utilization
- High cost of production
- Poor inventory management
- Inadequate maintenance and replacement
- Lack of timely and adequate modernization etc.
- High wastage
- Revolutionary technological advances rendering one's products obsolete
- Inadequate technical support

4. Labour management

- Excessively high wage structure
- Inefficient handling of labour problems
- Excessive manpower
- Poor labour productivity
- Poor labour relations
- Lack of trained skilled labour or technically competent personnel

5. Marketing management

- Dependence on a single customer or a limited number of customers / single or a limited number of products
- Poor sales realization
- Defective pricing policy
- Booking of large order at fixed prices in an inflationary market
- Weak market organization
- Lack of market feedback and market research
- Lack of knowledge of marketing techniques
- Unscrupulous sales/purchases practices
- Market constraints
- Market saturation
- Over reliance on a few key customers.

6. Financial management

- More often, the entrepreneur's financial mismanagement is responsible for a host of problems.
- Poor resources management and financial planning
- Faulty costing
- Minimal capital
- Liberal dividend policy
- General financial indiscipline and application of funds for unauthorized purposes
- Poor liquidity
- Deficiency of fund
- Over-trading
- Unfavorable gearing or keeping adverse debt-equity ratio
- Inadequate working capital
- Absence of cost consciousness
- Lack of effective collection machinery
- Poor cash control
- No pan "B" in sight
- Throwing IT around
- Delaying Debt
- Borrowing Blind
- Leaving lenders out
- Thin reserves
- Underestimation of expenses like import and transport costs
- Excessive investment in infrastructure
- No knowledge of the availability of finance
- Ignoring the lender like SIDBI
- Delays in payment of bills creating liquidity problem for SSI units.
- Lack of coordination between banks and state financial corporations and other agencies in assisting SSI units.
- Lack of expertise on the part of small-scale entrepreneurs in the maintenance of records and books.
- Lack of professionalism on the part of bankers in rendering timely and adequate financial assistance and consultancy to SSI entrepreneur.

7. Administrative management

- Over centralization
- Lack of professionalism
- Lack of feedback to management (Management Information System)
- Lack of controls

- Lack of timely diversification
- Excessive expenditure on R & D
- Poor inventory management.

8. Management

- Dissension within the management
- Incompetent management
- Dishonest management
- Growing too Fast
- Management Incompetence
- Unworkable Goals
- Unwilling to take responsibility
- Poor communications throughout the organization.
- Failure to recognize your own strengths and weaknesses.
- Failure to innovate

External Causes (Mostly, not under control)

1. Location

- The choice of location is one of the key problems for the entrepreneurs.
- No proper inputs in the selection
- Purchase of plot and constructions of sheds calls for good bargain
- Availability of water, power is not easy
- Transport bottleneck
- Availability of skilled labour is at stake
- Market problem still persists.

2. Raw Materials

- In some cases raw materials availability is extremely difficult
- Great price variance persists
- Imbalance between demand and supply of raw material

3. Government policies

- Government price controls
- Fiscal duties
- Abrupt change in Government policies
- Procedural delays on the part of the financial/licensing/other controlling or regulating authorities (Bank, Reserve Bank of India, financial institutions, Government departments, licensing authorities. Monopolies and Restrictive Trade Practices Board etc.)
- Innumerable laws relating to labour, excise, taxes and other areas required to be complied with by the unit holder.

4. Extraneous factors

- Natural calamities
- Political situation (domestic as well as international)

- War
- Sympathetic strikes
- Multiplicity of labour unions

D. Diagnosis

The normal diagnosis to find out the reasons for sickness starts from a series of interviews with people across the organizational structure. The major purpose of the interviews is to have a detailed insight into the working of the organization, its strengths and weaknesses, the market situation and also the charges expected over a period of time. The following seven steps will enable a proper diagnosis of the organizational sickness:

1. Interview people across the organizational structure (including workers) and the structure of unions, supplies, and customers – to have a general feel of the problems that led to the sickness.
2. Hold fact-finding sessions with individuals/groups in the middle/senior management level—to list the known/possible factors contributing to the sickness.
3. Hold discussions with departmental/visional heads to assess the nature and depth of the departmental problems (production, quality, conduct of business/routine activities in various departments)
4. Set up feedback/monitoring/audit control systems to periodically assess the performance, deviations and the needed corrections.
5. Implement the use of modern management tools, techniques, information technology (cost control, TQM, JIT, inventory control, budgetary control...) to improve the bottom line.
6. Plug the loopholes and make up the present deficiencies to achieve optimal production, high productivity, improved efficiencies, lower cost of resources, lower consumption factors and finally better realizations.
7. Adopt business process reengineering in an effort to do the “right Things” effectively and to achieve major breakthroughs in costs, quality and profits. This will help in panning expansions, closing unprofitable units and diversifications.

E. How to Avoid Small Business Failures

The study results identify the reasons for business failure that imply implementation strategies for would-be entrepreneurs to avoid failure.

1. Before starting the business, the entrepreneurs should attain adequate capital and keep fixed costs low. A rule of thumb to define adequate, is to get the best estimate available of all costs, then double it. As the business begins to earn money, the owner should avoid the temptation to increase fixed costs. Without some extra financing a small business has no margin for the other factors of failure.

2. During slow economic activity/recession, consider waiting to start the business until the economy turns around, if the product/service is economy sensitive.
3. Starting with adequate capital and developing a close relationship with creditors can help eliminate creditor problems.
4. Following good accounts receivable practices, particularly aging of accounts receivables and continuous contact can help to avoid slow accounts receivable.
5. Good recordkeeping with the help of a good accountant, and having adequate capital and good credit relations can help overcome tax problems.
6. Having a diversified customer base can help eliminate the problems of the loss of a major customer.
7. Entrepreneurs who lack management experience and skill can work for someone else to gain these skills before starting their own business.
8. Partners can be an advantage or disadvantage to the entrepreneur. On the positive side, partners increase capital and skills, but on the other hand, a bad partner can be the cause of business failure. This is understandable, but can be counter argued by the many successful entrepreneurs who recommend having a partner. You need to be careful when selecting a partner and to have a clear understanding exactly what will be each partner's responsibilities and share of the profits.
9. Small businesses should expand slowly with adequate capital to support growth; especially if business activity may not be as high as projected. Keeping the fixed costs low can also help.
10. Good recordkeeping and financial control can help minimize theft.
11. Schedule time for "office work". Many successful entrepreneurs schedule the first or last hour of the day for returning phone calls, emails, billing and filing. Figure out what works best for you and stick to it.

F. Revival Plan

In short, the diagnosis will be SWOT analysis of the organization describing the Strengths, Weaknesses, Opportunities and Threats. This analysis will lead us to a meaningful revival plan and will help in determining the right tools, techniques and remedies to be adopted. It may be emphasized that the revival plan has to be time-bound to achieve the expected changes and results.

The seven steps for the Revival Plan are given below:

1. Finalize the goals/objectives/targets for performance at all levels to meet the organizations mission.
2. Issue policy guidelines on major aspects that affect the image of the company in public and the work culture inside the organization.
3. Initiate the preparation of detailed system procedures for the maintenance, budgets, costs, distribution, transportation, purchase, marketing inventory, personnel etc.

4. Analyze past reports on production, quality, costs, performance, accounts receivables etc. and the connected financial and audit reports – to get an overall idea for the present working systems and results.
5. Meet senior executives from marketing/finance/personnel/materials/ secretarial/ legal departments and (if possible) with competitors – to assess the external situations (Govt. policies, competitors, activities, raw material position, union-political-social factors.)
6. Brainstorm with a select group – to get creative ideas for improvement.
7. Apprise the Board about the diagnosis and request them to spell out a clear “Mission” of the Company.

These measures would bring about cost effective functioning of production units.

G. Role of Concerning Agencies & remedial Measures

Pursuant to the enactment of the Sick Industrial Companies (Special Provisions) Act 1985, a Board for Industrial and Financial Reconstruction (BIFR) was set up in May 1987 under the administrative control of Ministry of Finance.

The BIFR has power to prepare rehabilitation schemes for revival of sick industrial companies in consultation with the agencies concerned.

A sick industrial company has to report its sickness to the BIFR, once its accumulated losses at the end of financial year exceed 50% of the peak net worth attained during the period of four years immediately preceding the financial year. BIFR provides a forum where the agencies concerned are brought together for analyzing, diagnosing and evolving a reasoned decision for revival, or otherwise of the sick industrial unit. The agencies concerned are:

- Term Lending Institutions
- Entrepreneur
- Commercial banks
- Government

These agencies can effectively stem the sickness if they make use of signals and symptoms that are generated by the industrial unit in its working and by using information and reporting system of important key parameters of the industrial enterprise.

1. Role of Term Lending Institutions

Many industrial projects are born sick because either proper appraisal has not been done, or market survey has not been carried out while sanctioning term loan to an entrepreneur. The role of term lending institutions in the prevention of sickness may be discussed as under:

i) Appraisal of Management

The term lender can forecast more than fifty percent chances of sickness, if he evaluates properly the management of the project. Management evaluation is a difficult task but with experience, a term lender would develop the sixth sense to differentiate between

a desirable and undesirable entrepreneur. The term lender can always obtain reports of the prospective borrowers from bankers and other known sources, particularly regarding his antecedents and business reputation.

ii) Banning Industries Not Having Scope

There are certain industries, which are on the decline, irrespective of the state of economy. The sound manufacturers with a vision may take measures well in advance, to avert any disaster through diversification or modernization as the situation may require. In such a case, the term lending institutions can render timely help by identifying those industries or industrial products, where sickness seems to be emerging due to decline in demand, or where supply has outstripped demand perceptibly, and to publicize this information,

They can help in two ways

- First, to forewarn and dissuade potential entrepreneurs from stepping into these industries.
- Second, avoiding creation of additional capacities.

iii) Machinery & Equipment

At times, the project is based on second hand machinery. Such a project can easily become sick if the reconditioning of the second-hand equipment is not satisfactorily done or the technicians to install the equipment are not available at required time.

iv) Satisfactory Implementation.

Time element is important in the implementation of a project and the term lender has to ensure that all avoidable delays at the appraisal stage and during the disbursement of the sanctioned assistance are eschewed scrupulously.

2. Role of Commercial Banks

A commercial bank is of vital importance to an industrial unit as it provides to the unit liquid resources needed to keep the unit going. Their everyday dealing with sick units enables them to be closer to the operation of the unit and read their pulse. The main elements of the sickness prevention system at the bank level are as following:

i) Careful Proper Appraisal

A careful proper appraisal of the project ensures not only its success but the banker's interest is also safeguarded. Mostly they apply a conservative and traditional approach while assessing the requirement of working capital finance. As a result, units are under financed and are, therefore, forced to operate at sub optimum level. Moreover, the technical and marketing feasibility of the project are taken for granted without doing analytical study at their own level. Banks should refuse to finance those projects, which are not viable, and assessment of working capital requirement should be done with the co-operation of term lending institutions. There should be continuous training programme for branch managers to upgrade their appraisal capability. The efforts should be made to appraise the project on merits alone and in a very objective manner, without accepting any external influence.

ii) Timely disbursement.

Any delay in disbursement may invite several other difficulties except increase in project cost, such as the entry of new competitors, the non-availability of scarce raw materials, delay in supply of final product in time.

iii) Feedback from Commercial Banks

It may go a long way in detection/prevention of early sickness if the term lender and the commercial banker realize that they are the two wheels on which the project cart has to proceed to success and that success can be achieved only if both of them function in harmony. If one of them tries to strengthen its position at the cost of the other, or keeps away any information about adverse developments in the unit, eventually both will suffer. There is a dire need for co-operation and it has to be continued throughout the life of the project.

iv) Warning Signals

If the drawings in the account exceed the permissible drawing power continuously over a period, the banker can safely conclude that the customer is short of funds. If the account runs consistently in excess of the sanctioned limit, the customer might be indulging in over-trading. If the bills drawn by the seller on his buyers are returned unpaid, it may be pointer to the unacceptability of the end-products of the unit in the market. It can as well be said that a good look at the ledger account of a customer (bank's) by an experienced banker can throw a flood of light on the state of the business of the customer.

v) Market Intelligence

The apprehensions raised by the scrutiny of the ledger account can be counter-checked by the banker with market intelligence, which he has perforce to build in his system of working. A visit to the unit by the banker might help in crystallizing the picture further.

vi) Stopping Sickness

Discussions with the entrepreneur could be the first step in the desired direction provided the intention is to help the entrepreneur to come out the difficulties. Any undue pressure at this stage to recover even a part of the banker's dues and/or to strengthen the security is bound to complicate the existing unsatisfactory situation and also prompt the customer to keep bank the information regarding adverse developments. Normally, provision of additional finance/credit, reduction in the prescribed margin and some latitude in repayment of the over dues would help in remedying initial sickness.

3. The Role of the Entrepreneur

In a way, it should be the sole responsibility of the entrepreneur, who commences, implements and manages the project, to avert sickness in the unit set up by him. This can normally be done if the entrepreneur does his homework properly while drawing up the

project, if he pays adequate attention to the deficiencies pointed out by the appraising officers of the financial institutions, if he selects the suppliers of machinery and process carefully, if he appoints the financial and other staff in time, if he affects economy to keep the project cost within the original estimates and implements the same according to the time schedule. The main elements of the sickness prevention system at the entrepreneur level are as follows:

i) Management Board

The industry should have a board with competent persons from all disciplines needed to run the unit successfully, appoint a dynamic chief executive to implement the policies formulated by the board and ensure a proper second line of defense by appointing professional go-getters. And above all, at the first sign of any adverse development in the unit, he should take his banker and term lender into confidence.

ii) Partners in Enterprise

The term lenders consider themselves as partners in the enterprises being managed by the entrepreneur and are fully conscious that the recovery of lent funds depend on the capability of the unit to generate surpluses.

4. The Role of the Government

The Government can help in controlling sickness by not making sudden and frequent changes in the industrial policies. It has to be appreciated that setting up of an industrial unit is an investment decision, which has to take into account further returns.

i) Sudden changes in industrial policy

When several changes are made successively in the industrial policy by the government, it may discourage new investment. Withdrawal of subsidies can also result in sickness. The financial institutions and the representatives of industry can also be prompted to come together occasionally with or without government participation with a view to discuss the problems of the industry in general or of any particular industry and evolving solutions including recommendations to the government to modify its existing policies.

ii) Resistance to change

The law as it stands today does not empower the term lenders to make changes in the management of an assisted unit even when they are convinced that incipient sickness in the unit is entirely due to the incompetence and/or dishonesty of the existing management and it is apparent to them that without a change in management, the unit would soon become chronically sick. Sometimes management resists changes.

iii) Power to change

Term lenders may be authorized to appoint in units suffering from early sickness, whole time financial, technical and marketing directors. Such directors, of course, would have to be empowered to report to the financial institutions and also given

immunity from penalties for acts done in good faith. Term lenders can be required to prepare a panel of experienced persons, who could take up such challenging assignments, while retired officers from the public and private sector with adequate background could be one source for building up such a panel.

In order to get rid of the disease of industrial sickness and restore the health of the affected units, there is an imperative need that the government and the related agencies should come forward to meet the challenge.

- They should adopt strategic and pragmatic approach.
- As far as possible, stern legal and economic measures should be adopted to check further spread of sickness and assist the unit in their rehabilitation bid.
- Modernization and rationalization should be commonly used.
- These units should be pressurized and persuaded to utilize sophisticated machinery and innovative technology.
- Besides, banks the financial institutions, should also come forward to rescue these units through their liberal loan policies.
- These institutions should keep a watch over the ways of the utilization of awarded loan facilities.
- Banks should also assess the progress of such units, which are facing crisis, from time to time.

It is presumed that if such a state of affair is not checked and timely action is not taken the increasing incidence of industrial sickness will further aggravate the situation and hamper the growth of industrial sector.

Remedial Measures

1. Early detection of sickness, it was generally felt, could go a long way in initiating remedial measures for restoring potential sick units to health. Need was stressed for the establishment of a proper management information system for providing early warning signals from within.
2. Financial institutions and banks should initiate necessary corrective action for sick or prone-to-sickness units based on diagnostic studies. In case of growing sickness, they should also consider assumption for management responsibility where they are confident of restoring a unit to health.
3. Wherever possible, attempts should be made to restore sick units to financial health. However, where the judgment is that a sick unit cannot be retrieved, it should be allowed to be wound up. The divestment of a sick unit, if desired by an industrial group, for handing it over to someone else with the requisite experience of running such a unit should be allowed expeditiously so that it can be restored to health before the situation gets out of control.
4. Excessive concern over unemployment resulting from the closure of a sick unit is unwarranted. This can be taken care of through other measures, such as the

setting up of a national fund for purpose and strengthening the facilities for retraining of workers.

5. The proposal to set up a special institution – the Board for Financial and Industrial Reconstruction – appears to be a sound one. It should play the role of a single window-clearing agency. However, the Board should not be asked to go merely by mechanical indicators to determine sickness in industry. For instance, the criterion of erosion in net worth for determining the seriousness of sickness, although it does indicate that everything is not well with a unit, is not meaningful. Erosion could take place by internal as well as external factors. There is therefore, not justification for punishing management for erosion in net worth if it is caused by factors beyond its control.
6. Similarly, the proposal visualizing that the management of a unit that has lost net worth in entirety will not be allowed to manage that unit any more, needs to be reconsidered. Before branding the management as a bad one, all the aspects of the case ought to be examined.
7. The proposal that managements are responsible for mismanagement should not be allowed assistance from financial institution even for new ventures, too, needs re-thinking.
8. Nothing will do greater damage to the development of the spirit of entrepreneurship in the community than the fear that one is likely to be punished for sickness which is not of one's own market but is the result of lapses committed elsewhere.
9. It is important that in any scheme of reconstruction of a sick unit, all the stakeholders bear sacrifices on equitable and just basis.
10. The important criterion for take-over of a sick unit by another company should be whether the company taking over the sick unit has skill, technology and finance to save it. Considerations on MRTTP/FERA accounts should not come in the way.
11. There is need for a fresh look at Section 72-A of Income-tax Act to remove the inhibition caused to companies taking over sick units by insistence on the part of income-tax authorities for prior full implementation of the revival schemes before tax benefits can accrue.
12. Debt-equity ratio ought to be realistic. Fiscal policy, too, requires rationalization.
13. Incentives should be provided to professional managers helping in reviving sick units.
14. Treatment of capital-intensive units prone to sickness has to be on a different footing than tackling of sickness in industry in general.

H. Closing or changing a business

Every aspiring entrepreneur starts a business with dreams of success and growth. But

during the whole process of expanding the organization, it is possible that he/she is unable to continue the business in a profitable manner and on a sustained basis. So it may become necessary for him/her to change the type/form of the business organization. This change may be from a public company to a private company or vice versa. The Companies Act, 1956 contains the provisions and procedures for such conversions. It is also possible that the entrepreneur has to wind up or close down his company. Closure of a business unit refers to shutting down of the various functional as well as non-functional areas of the company. The various conditions that may be responsible for closing a company include:-

- Economic recession in the economy
- Intense competition;
- Use of obsolete techniques of production;
- Poor infrastructural facilities in an organization;
- Dissatisfaction among workers and trade workers, conflict between labour and management, lockouts, strikes, etc.
- Lack of resources/ funds to finance various activities of an organization.

Even though, changing a business type or winding up a business set up is a negative experience for an entrepreneur, but it releases the resources invested by him/her for more productive and profitable use elsewhere. In other words, it can mean better opportunities and unexplored challenges for him/her. Also, the Government of India has enacted several policies and schemes, which not only helps an entrepreneur in easy winding up of a business, but also helps him/her in reinvesting the resources in newer avenues.

In order to wind up or close a business organization, an entrepreneur must take into account the interests of its employees, creditors, shareholders, etc. Hence he/she must follow the basic regulatory requirements.

The most important regulation relates to sick industries in India. Sick industries are those industries, which make losses that are more or less permanent and are not likely to be eliminated easily. In the normal course, such units would close down or would undergo extensive restructuring to eliminate the operations or activities that are particularly unprofitable. To deal with such a problem, SICA or **Sick Industrial Companies (Special Provisions) Act, 1985** was enacted. It aimed to detect industrial sickness and provide for speedy remedial measures. Hence, a quasi-judicial body called **Board for Industrial and Financial Reconstruction (BIFR)** was set up which expedited the process of revival of potentially viable units or closure of unviable units. This Act was repealed and replaced by **Sick Industrial Companies (Special Provisions) Repeal Act, 2003**, which made the whole process more transparent and simpler by setting up of **National Company Law Tribunal (NCLT)** in place of BIFR.

As a part of the continuous reforms process, the Government has been making efforts to bring more flexibility in the process of winding up of an industrial unit through a practicable exit policy.

I. Conclusion

The MSME sector is integral to and which comprises of India's industrial sector. It contributes significantly India's gross domestic products and export earnings besides meeting the social objectives including that of providing employment opportunities to millions of people across the country. If the accumulated losses of an industry reach equal to or exceed its entire net worth i.e., capital and reserve, it is called a sick industry.

Sickness in industry, especially in the small-scale sector in particular is a cause for concern. The banks, financial institutions and the Government should address to making redressal strategies for these sick units. Revival of sick units should be taken on a priority basis.

The empirical studies show that by adopting better practices, right technology, new work culture and professional management, small-scale industries can improve their health and elevate from smaller status. This process could improve the health of the industry as well as of the economy.

In the current rising wave of economic growth and liberalization and in absence of systematic market research, capacities far in excess of demand have been set up in many industries. Thus, in addition to some of the old and obsolete industries, many relatively new investments have either turned sick or have shut down. The Government has taken several imaginative measures to revive many of these. The Board for Industrial Finance & Reconstruction (BIFR) was created to expedite revival schemes.

Business now has an opportunity to transform individuals and organizations into vibrant and competitive entities. Industries, which cannot generate surplus, can neither have any place in our country nor can they achieve the goal of a more egalitarian society. It is through productive endeavours and mutual co-operation of those engaged in industry and agriculture, that the larger issues of population control, unemployment and poverty alleviation can be effectively tackled.

Questions

1. Define 'Industrial Sickness'. Explain its root causes.
2. How to avoid small business failures?
3. What are reasons for sickness in MSMs? Explain the revival plan for sickness.
4. Give remedial measures to avoid sickness in MSMEs.

MULTIPLE CHOICE QUESTIONS

- 1) Point out the quality in an entrepreneur**
 - a. Initiative
 - b. Lack of experience
 - c. Lack of confidence
 - d. Lack of decision making ability
- 2) Which one is not function of an entrepreneur**
 - a. Turning ideas into action
 - b. Feasibility study
 - c. Resourcing
 - d. Shutting down the existing business
- 3) Who can start a business**
 - a. Only highly educated person
 - b. Only an uneducated person
 - c. Only rich person
 - d. Any one of the above
- 4) While selecting of line a business, an entrepreneur must keep in his mind**
 - a. Profitability
 - b. Risk involved
 - c. Profits
 - d. All above
- 5) What is an entrepreneur?**
 - a. Someone who invests time and money to start a business
 - b. Someone who makes a lot of money
 - c. Someone who takes a risk to make a profit
 - d. Both A & C
- 6) An entrepreneur must pay to get productive resources because they are**
 - a. Scare
 - b. Expensive
 - c. In great supply
 - d. Likely to be taxed
- 7) To be successful a business must**
 - a. Produce goods instead of services
 - b. Produce goods or services with a high price
 - c. Produce goods or services that consumers want
 - d. Produce goods or services using mostly capital resources.

- 8) **Business entrepreneur is effected by ----- factors**
- a. Internal
 - b. External
 - c. both a and b
 - d. None and above
- 9) **It is the -----which tells the purpose of existence of business**
- a. Mission
 - b. Vision
 - c. Both A & B
 - d. None & Above
- 10) **Which of the following are not the characteristics of entrepreneurship?**
- a. Innovation
 - b. Organizing skills
 - c. Indifference approach
 - d. Risk taking
- 11) **Peter Drucker suggested entrepreneurship is**
- a. Science
 - b. Art
 - c. Profession
 - d. Practice
- 12) **Entrepreneurship should always ready to accept the**
- a. Modernization
 - b. Expansion
 - c. Diversification
 - d. All of the above
- 13) **Entrepreneur should have access to**
- a. Right skills
 - b. Right environment
 - c. Smart capital
 - d. All of the above
- 14) **The distinction between an “entrepreneur” and “small business owner”, if made, revolves around:**
- a. Really nothing; they are truly one and the same
 - b. The Small Business Administration definitions
 - c. Whether the business is an Internet based one or not
 - d. The risk taking or re-invention of a business vs. someone who “simply” starts a business or buys an existing one

15) The primary reason entrepreneurs start companies is to:

- Prove they could do it
- Recover from a layoff
- Create something new
- Make money
- Control their own lives

16) One study found that entrepreneurs tend to demonstrate all of the following traits except:

- Narrow-minded
- Emotionally aloof
- Calm
- Focused
- Aggressive

17) One reason for the growth in small businesses relates to the trend for larger business to downsize by contracting with smaller firms to do many of the functions once done internally. This is referred to as:

- a. Contracting
- b. Outsourcing
- c. Specializing
- d. Entrepreneurship

18) The technical characteristics of the small business would include all of the following except:

- a. Independently managed
- b. Owned by an individual or a small group of investors
- c. Based locally, even though the market might be widespread
- d. Significant influence in its industry

19) Which of the following might be termed a disadvantage faced by the small business

- a. Greater flexibility
- b. Greater ability to serve specialized markets
- c. Extreme personal commitment of the owner
- d. More personal service

20) Entrepreneurs are getting:

- a. Younger all the time
- b. Older by increasing numbers due to downsizing
- c. Harder to find
- d. More set in their ways

- 21) All but which of the following is considered to be a myth associated with entrepreneurship .**
- a. Successful entrepreneurs are born and not made
 - b. An entrepreneur faces extraordinary business risks
 - c. Successful entrepreneurs must have a break-through invention
 - d. First ventures are always successful
- 22) The entrepreneur who is committed to the entrepreneurial effort because it makes good business sense is classed as a/an.....**
- a. Inventor
 - b. Opportunist
 - c. Hacker
 - d. Craftsman
- 23) Common reasons for entrepreneurial failure include**
- a. Faulty product design
 - b. Lack of capital
 - c. Proper implementation
 - d. Ineffective human resources
 - e. above all
- 24) Entrepreneurship can best be described as:**
- a. A process that requires setting up a business
 - b. Taking a significant risk in a business context
 - c. Having a strong vision
 - d. A process involving innovation, new products or services, and value creation
 - e. The generation of new jobs
- 25) Which problem is not true of a women entrepreneur**
- a. Family resistance
 - b. Male dominated society
 - c. Limited mobility
 - d. Attitude
- 26) Theory by Schumpeter is regarding**
- a. Innovation
 - b. Motivation
 - c. High achievement
 - d. Social change
 - e. Profit

27) Theory by McClelland is regarding

- a. Innovation
- b. Motivation
- c. High achievement
- d. Social change
- e. Profit

28) Theory by Leibenstein is regarding

- a. Innovation
- b. Motivation
- c. Social change
- d. X-efficiency
- e. Profit

29) Theory by Frank Knight is regarding

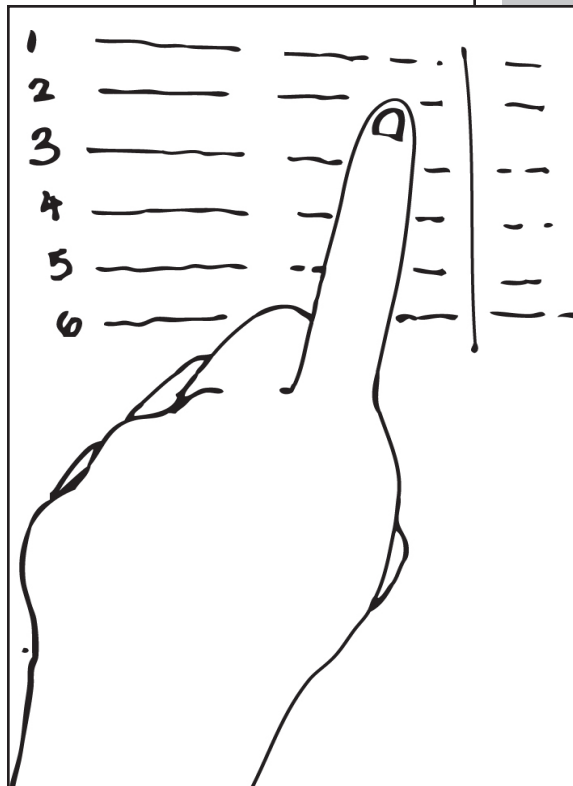
- a. Innovation
- b. Motivation
- c. High achievement
- d. Social change
- e. Profit

30) Theory by Everett Hagen is regarding

- a. Innovation
- b. Motivation
- c. High achievement
- d. Social change
- e. Profit

Multiple Choice Questions - Answers

1 = a	2 = d	3 = d	4 = d	5 = d
6 = a	7 = c	8 = c	9 = c	10 = c
11 = d	12 = d	13 = d	14 = d	15 = e
16 = e	17 = b	18 = d	19 = b	20 = d
21 = d	22 = b	23 = e	24 = d	25 = d
26 = a	27 = c	28 = d	29 = e	30 = d



TOOL KIT FOR STARTUP ENTREPRENEURS

TOOL KIT FOR STARTUP ENTREPRENEURS



- A. Experiences of Entrepreneurs who looked beyond placements & Salaries**
- B. Entrepreneur's Roadmap**
- C. Successful Entrepreneur's Personality**
- D. Managing Excellence in career**
- E. Business Startup Checklist**
- F. Self Assessment Checklist for Entrepreneur**
- G. Think Critically**
- H. Case Studies**
- I. Worksheets**

A EXPERIENCES OF ENTREPRENEURS WHO LOOKED BEYOND PLACEMENTS & SALARIES

Relevant part taken from book “STAY HUNGRY STAY FOOLISH” the inspiring stories who chose to tread a path of their own making by the author Rashmi Bansal.

1. **Sanjeev Bikhchandani, naukri.com** first dotcom to IPO on an Indian stock exchange.

ADVICE

- Be early. You can make your mistakes while it is cheap to make them, when there is no competition.
- Do not exaggerate in your business plan. Under commit and over deliver.
- If you are starting a business to make money, don't do it. Chances are that you will fail, because there will be hard times. And if your motivation is not something beyond money, those hard times will test you. You will quit and go back to your job. But if you are doing something other than money, you will rough it through the hard times.
- I spotted the opportunity but I didn't know how big it was and how big it was going to be. I just said this is a smart idea, I love it! And it happened to be the right idea, at the right place, at the right time... If you are in enough places, enough times and long enough, you get your breaks in some form or the other. You just have to be smart enough to take them.
- Scaling up is also a lot about letting go. Get smart people. If they are truly smart and if they have their self-belief, they will create their own space and they will do stuff maybe you can't do. Or may be you haven't thought of. And do keep in mind that every choice you make impacts the family.

2. **Shantanu Prakash, Educomp**, middle class upbringing, leading provider of digital content for schools across India.

ADVICE

- If a 24-year-old entrepreneur came to me, I would say choose anything that you want, that interests you, the internal passion you have.
- How to choose what to do? I came from a background where I did my Bachelors in Commerce from SRCC and then my MBA - no 'skills', right? So I could have chosen any domain, but you have to keep some of those key principles in mind - 'Is the opportunity big enough, are you able to make a contribution and fundamentally change something that generates value.'

3. **Vinayak Chatterjee – Feedback Ventures** Vinayak quits his job at Pond's. India's leading infrastructure advisory and engineering firm.

ADVICE

- My only advice is, be true to your inner voice. If your inner voice says you really love the rat race and can be great in the rat race, please do it.
- If your inner voice says, my route is social entrepreneurship, do it. If your inner voice says, I want to be an author, journalist, write books, please do it!
- Don't get too concerned about peer pressure. You may be successful, you may be unsuccessful, but in the philosophical market, what is success and what is failure? It's not a fad or fashion to follow.
- So my only piece of advice is find purpose, means will follow. Life's journey will take you wherever it is. Don't worry about the fruits. Do duty without desire and stick it out.

4. Ashank Desai – Mastek, one of the top 15 IT companies in the country.

ADVICE

Ashank:

- You require a team, which feels a trust for each other.
- There is no one formula but I would say yes, get 4-5 years of experience – learn at somebody's cost if I may use the world. Get a bit of a feel, bit of financial stability, some savings. After all, venture capital is there but you need your own money too. But don't wait too long.
- Everyone does not need to build a 100 crore or 1,000 crore company. Small vs big vs superbig is a choice that an entrepreneur makes himself or herself depending upon the ambitions, values and what he likes doing.

Sundar:

- Don't just think about it, don't just wish for it, jump into it and do it, if you are really serious.
- Once you get into it, go all out, never look at quitting as an option.
- Remember that if the start up fails, it is your idea that failed, not you

Ketan:

- Bringing a right team together (more than synergies of skills, synergies of values and attitudes is more critical).
- Think big and behave as if you have already accomplished your greatness.
- Retain work-life balance.

5. R. Subramanian – Subhiksha He quits his job at Citibank 15 days after joining, feeling restless to do something 'more'. Now he owns India's largest grocery chain - Subhiksha.

- There are two worlds – the real world and the virtual world. The virtual world is something, which the financial types operate. The real world is where lot of us slog to physically do work.

- If you want to do something in the real world, sell products to people, impact consumers, it makes more sense to work in real life companies, smaller the better. Don't join a Hindustan Lever or a Coca Cola. Join smaller companies because you will get far, more exposure. I can't believe that in two years, in any other company, I could have sat for IR negotiations or financial restructuring negotiations.
- The larger the company you work in, the less you are able to get to the nuts and bolts, the less you are able to see the bigger picture. You need to go and challenge yourself, you need to go and fight your way in the market. That experience will make all the difference!

6. Chender Baljee, Royal Orchid Hotels Rs 150 crore hospitality business.

ADVICE

- Identify what kind of work you want to do. I love the hotel business-food, making menus, everything to do with the business. If you love the business you take up, you will definitely make a success of it.
- Learn the business you want to get into for a couple of years. Raising money is not so difficult today. There are VCs, or at least angel investors. There is even lease financing, for example, unlike my time!
- Your family life may get affected – for example you can't take long holidays and when you do take a holiday, phone calls and emails may follow you.
- But if you enjoy your work, you won't feel it is an intrusion.

7. Madan Mohanka, Tega Industries, world's third largest company designing solutions in the field of mining.

ADVICE

- If you believe in a product, don't give it up half way through. Be on it. And you will succeed one day. And the results will be good.
- Second, have patience during difficult times. Don't lose your balance, and try to carry the team with you.
- Third, when you are launching any business, whether it's a new product or an existing product, if it's a new business, plan for 50% more to stand by. So in case you have difficulties half way through, you don't have to close the business or run away. You have some money to put in, to carry on and see the bright side of it.
- For a mid-size company, having multi-locations for the plant is not advisable because mid-size companies are owner driven companies. Multi-locations create problems in terms of management focus.
- There is a lot of scope in manufacturing. In India, our manufacturing base is only 37%, whereas in all advanced countries, the manufacturing base, not the service base. Service base is only temporary. This will not create long term employment and if the economy has to become strong. It has to go into manufacturing.

- If you are getting into manufacturing a unique product and if you have a passion for the product, venture capitals will finance it today.

8. Sunil Handa, Eklavya Education Foundation/Core Emballage An educational entrepreneur, with his fascinating journey

ADVICE

- I tell my students, if you want to take up a job, you work for one year, two years, three years, not more, because after three years, a comfort zone may start. But not any type of job. There are three or four types of jobs which are good:
- You are the chief executive of a closed sick unit. And you have the mandate from the owners and the bankers to be the big boss, take all the necessary ruthless, cruel decisions to revive it. I think there are no jobs available in India like this till today, but we have to search. They are not coming for placements but they are there.
- Executive assistant to the top one or two persons in a medium sized company.
- Be a vital part of a project team which is putting up a new project. Suppose there is a factory, say Glaxo, in Nasik. They are putting up aRs 50 crore expansion. Or Rs 100 crore antibiotics project or rabies vaccine. So they have a small nucleus team of 5-6 people, which will slowly grow. Become a part of that team. You bought land for the project, then you applied for pollution board approval. Then you appointed an architect, structural engineer, electrical contractor. By the time you have finished, you have bought a boiler, you have recruited a chowkidar, you designed a garden, you thought of what the brand name of the product is going to be. You have appointed an ad agency. The six men team has become 100. By the time the production starts, about 400 people are working. And you were there from the start. You have walked through the whole panorama.
- After 2-3 years in such a job, you can put up a factory easily. May be not aRs 50 crore factory, but a Rs 2 crore one at least.
- You can think of more jobs on similar lines. Smaller company, wider job description, and more freedom and power to do whatever you want. But then, there is also a risk factor involved in it because ultimately the onus lies on you.
- Recruit raw people, invest in them. Not all will turn out to be gold or diamonds, but overtime, you will have a handful. And they will be your biggest assets.

9. Vardan Kabra – Fountainhead School, turned his back on an offer by multinational P&G to pursue his dream of starting Fountainhead School.

ADVICE

- Know what you want – I take my time when it comes to important decisions, but once made, I almost never give up. I do take the opinion of other people. But when the decision affects me directly, then I alone make the decision (e.g. deciding not to take up a job was against the wishes of almost everyone around).

10. **Deep Kalra, makemytrip.com**, a venture capitalist offered him \$ 2 million to start up. Makemytrip.com is today India's leading travel portal.

ADVICE

- Choose your field very carefully – there must be a 'huge' (large is not good enough) market and potential. If you don't have personal expertise in this field, get a team of domain experts locked-in, preferably as partners or co-founders.
- Plan your funding very carefully – ideally raise as little cash as possible in the pre-revenue stage as you end up diluting too much equity.
- It's all about people – hire the best folks in the business. Don't hesitate to hire people better than yourself in that specific area. Colleagues who challenge and make you feel uncomfortable are your best friends and the 'yes men' are your worst enemies!
- Make friends at work and promote an honest and open working atmosphere. Ensure everyone has fun at work. People tend to give their best when they are enjoying their work.
- Don't focus too much on exits. Concentrate on building a solid business, the rest will take care of itself!

11. **Rashesh Shah, Edelweiss Capital**, a large and successful homegrown investment bank in a single decade.

ADVICE

- Cash flow is underestimated by most people. I think being financially savvy is a required part of the business.
- These days I advise people – two to four partners is okay, but ideally not more than four.

12. **Nirmal Jain, India Infoline**, One of the country's biggest online trading platforms.

ADVICE

- You have to build a core team, delegate and empower your people. When you have done something on your own for 5-6 years you can obviously do it better than anyone else who joins you. It's a delicate balance.
- Entrepreneurship is risky. So you should have a mindset, should be prepared to fail. If you are not prepared to fail and can't handle failure.
- You should have the ability to build a team of the right people and not people you like.
- Whatever the number of partners, there has to be one leader.

13. **Vikram Talwar, EXL Service**, one of India's largest BPOs.

ADVICE

- I would say, never start straight out of college. Work for about 6-7 years; get

some experience in the world of business. How and what happens there. Become extremely conversant with finance, especially if you are going to into some form of a fairly, complex, large type of operation. You can't get that knowledge in textbooks.

- Don't be an entrepreneur without very good financial knowledge. Or have a trusted partner who knows all about this.

14. K RaghavendraRao, Orchid Pharma, built up a \$300 million dollar pharma company in 13 short years.

ADVICE

- Choose a goal and focus on it. It can be in the area of product, service or knowledge. Longevity of the field is important. Combine reason and intuition. If there's a tie, go with intuition. Think either big or niche. Doing what many others do won't take you anywhere. Build teams. Believe in dignity of labour. Be passionate and direct about your ambition. There is no dearth of capital to back right ideas and entrepreneurs. Aim to create lasting value. The country will remember you for that.

15. Jerry Rao, Mphasis, built up a large and profitable company but recently sold out to EDS because business is about passion as well as knowing when to let go.

ADVICE

- I think people who, immediately after graduation, start their own companies tend to be naïve about cash, bank loans and negotiations about networks. Unless you have a truly fantastic product idea I would not advise you to take the plunge at age 24.
- And in your sales pitch, the first point should be about your weaknesses, not your strengths. You should tell people what you are not-you are not large. People think there is some honesty.
- And when you try and showcase stuff you have done, customer references are very important. Sometimes people are unwilling to give written references, persuade them to give telephonic references. But there is nothing like a customer reference for a small company. Nobody trusts what you say in your PowerPoint.

16. ShivramanDugal, Institute for Clinical Research in India (ICRI)

ADVICE

- Remember IIMs have a weakness. They teach you marketing, finance and systems but they don't teach you the importance of HR. Also they don't teach you how to raise money. There is a method to raising money. You have to be able to go and present your ideas to various kinds of institutions. You have to systematically study who are the people out there with the cash.
- You have to be diplomatic. And understand one thing: you are not the best.

- Someone else is giving the money, someone else is actually working and it's an idea - you are all trying to make it happen.
- Any good entrepreneur would have good people working for him or her.

17. Shankar Maruwada (PGP '96), Marketics, an analytics company which recently sold out to WNS for an estimated \$65 million.

ADVICE

- It is very difficult... I wish there was just one thing. First is passion, if you are not passionate about what you are doing, then you are in the wrong place. Second is courage. The buck stops with you, does not go further.
- You have to make choices. And you have to be comfortable with the choice even if it goes wrong. When you succeed, all your past and failures get wiped away.
- You have to play multiple roles. You have to be egoistic, and you have to be humble. You have to be the guy doing it, yet you have to be the guy who stands back. You have to be leading; yet you have to be supportive. If the person who cleans your toilet does not come on the day of an important client visit, you have to clean it - no second thoughts.
- Passion cannot come without some knowledge around it. But there is no one size that fits all. You can always hire people with expertise.
- More than VCs, an entrepreneur needs an angel. What you need at the start up stage is some seed funding.
- You just want enough money to prove your idea. VCs should ideally come in once you know what you want, the model is proven and you think the best way to scale it up is to get their investment. But you have to be prepared to accept outside control.

18. Ruby Ashraf, Precious Formals Ruby turned her hobby of designing clothes into a flourishing business. Her company Precious Formals, is one of the leading suppliers of dresses in America.

ADVICE

- You can achieve beyond your dreams, so it's OK to dream and make an action plan to turn it into reality.
- There is not one formula to be successful; everyone who is successful has gone through failures in the process. It depends upon how hard we kick that failure and learn from it and take up the challenge stronger to be successful.

19. Deepta Rangarajan, IRIS, a financial information management service.

ADVICE

- I would say a couple of things. It is so true working for a while really makes so much of difference before you start your own enterprise. It doesn't matter where you work.

- When you actually work and you deal with nuances of day-to-day situations, decision making and dealing with people, you imbibe knowledge, which is really helpful when you start being an entrepreneur basically.
- I think, for us, much of what we have done has not followed a well-scripted plot. And this could be true for several entrepreneurs. You work with a broad game plan.
- Depending upon the availability of resources and the opportunities that present themselves at each point in time, you flexibly modify your plans and move along. You alter. But you ensure that you keep moving broadly in the direction that you want. If you say, this is my scripted plan; this is what I am going to do, if it doesn't end up happening as per that script, you will be tremendously disappointed.
- On the other hand, if you are open and flexible, you will have opportunities that you never even thought of.

20. Cyrus Driver, Calorie Care, India's first professional, calorie-counted meal delivery service. His own battle with weight prompted the idea for the business!

ADVICE

- This is a good time to start up but keep in mind; the odds will be against you. You must carefully plan how you will be financially sustainable. Create a nest egg to draw on or, like me make sure you have some alternate source of income. The other option is to set up after 10-15 years when you are an industry expert.
- Start small and then expand, after you feel you have the product and processes right.
- It's good to be a consumer of the product you are planning to launch, as you don't need to do endless market research. You know what will sell.

21. Venkat Krishnan, Give India, launched Give India, to promote the culture of 'giving' in India.

ADVICE

- My advice to 'would be' entrepreneurs - nothing is perhaps a greater truism than the '3 year rule' - if you are able to hang in and survive for 3 years, you'll be up and running and by the fourth year, you will be better off as an entrepreneur than you'd have been in a job. I've seen this happen in my own three efforts that I've been involved with as start ups, and with several friends I've seen build businesses as well.
- For '4 yrs.+ old entrepreneurs' - I want advice FROM you on how to take yourself out of an institution and leave it better off without you than it is with you.
- And my advice for the world at large - Just try and experience the joy of 'giving' first hand. Give your time, money, skills to people who need it, and help improve their lives, and trust me, you will get far more joy out of it than anything else.

22. **Anand Halve, chlorophyll.** He believes 'small is beautiful' because in the quest for size and scale you lose out on the joy of creation. This is an alternate model of entrepreneurship.

ADVICE**Goals**

- Follow your heart. (The brain can do many things, but only the heart can answer the meaningful questions of life!)
- Think of the intangibles you value first - and let them determine the tangibles.
- Don't defer your joy at a beach today, for some imagined future weekend in Acapulco - by the time that happens your diabetes may not let you enjoy the pina coladas.

Money

- Money is not an end in itself. (Anu Aga, ex- Chairperson, Thermax, once said: "Profits are important but not the only thing... without breathing, you and I can't live, but if you ask me what is the purpose of my life and if I say breathing, it is such a narrow way to define it".)
- Create love and affection in your workplace. (People give up their lives for what they love but no one will do it for an EBIDTA.)

People and values

- Surround yourself with like-minded people. (You can't plan together, if the guys at the table are Gautam Buddha and Genghis Khan.)
- Define your Do's and Don'ts, before you start. Post- facto, any act can be justified.
- No deal is worth losing your self-respect.
- The last word Finally, if you don't laugh enough, your business model is probably wrong!

23. **S B Dangayach, Sintex** water tanks. He believes in constant evolution and creation of new products. And after 34 years, he is still passionate about it!

ADVICE

- I think, first of all, you should do what you like the best of all. Then there should be convergence and there should be compatibility with what you think, what your conscience tells you, and what you want to do.
- I do what my conscience tells me to do. That is what I mean by integrity, total integrity. That is what I advise young people as well.

24. **Vijay Mahajan, Basix**, pioneered the concept of microfinance in India, which gives loans to the rural poor.

- The single most important quality you need to have and cultivate further is to get up and walk every time you fall down.
- One has to persist in terms of operational difficulties.

- But the second and equally important ability one needs to cultivate is the ability to learn - from experience, from critics, from competitors, from failures, from summer trainees, from mothers-in-law and from regulators! Expert knowledge is useful, but increasingly has shorter and shorter shelf life. So what is permanent is the ability to understand a new situation and respond appropriately, using both learning from the past but also a fresh appreciation of the situation. Some of this comes from the self and some from others.
- Third point is Entrepreneurship is widely misunderstood to be a personal trait. It is so, to some extent. But entrepreneurship is a social construction - it is a phenomenon where certain behaviours get expressed in certain individuals, due to the support of their “eco-system” - colleagues, family members, investors, regulators, competitors and customers. All of these interactions, cooked in the skull of the entrepreneur, make for the heady mix that all of you are after. So nurturing this eco-system and interacting with it are extremely important.

25. Being an entrepreneur myself for more than 30 years, my guidance to all aspiring entrepreneurs.

- Setting priorities, deciding values is not easy. But finally one needs satisfaction at the end. Try to satisfy all your stakeholders in personal & working life.
- When you love your profession, you derive lot of satisfaction from the business. You presume that your work is life. Entrepreneurs love a great idea, and it's easy for us to get caught up in new commitments on a daily basis. But embrace the reality. I've found that fully intertwining my work in my life has worked best for me.
- The concept of a perfectly balanced life with family, work, society and personal life in equilibrium is absolutely unrealistic. Don't Try to Balance Life and Work. Just Juggle them. The key is “integration”.

Personal life

- Follow your heart. Jumpstart your Creativity. According to **Robert Epstein**, “there are ‘four core competencies’ of creative expression:”
 - o **Capturing** – preserve your new ideas
 - o **Surrounding** – surround yourself with interesting people and things
 - o **Challenging** – tackle tough problems
 - o **Broadening** – expand your knowledge
- Start with your curiosity... and enjoy the journey!
- Step outside your comfort zone and you'll discover new sources of creativity in your amazing brain.
- Learning and doing challenging work will help you to grow, allow you to utilize your best talents.

Family life

- Set priorities based on your values and goals. Don't assume you know what is important to the "others" in life—ask your family and your business colleagues what is important to them. You may be surprised.
- Your child may be having difficulties in school or your spouse has some concern, or an aging parent may need your attention. The best you can do is to focus your energies where they are needed and to be present. Give quality time. Inculcate good human values in the family.
- It is good for you and for your business to take a day (or maybe just a morning) off every week, celebrate family birthdays, marriages, get-togethers, plan a vacation and then actually take it, or even to go for a walk or visit the gym for an hour or two. Get bonding experience with the family.
- Realize that your priorities can change based on what is happening in your life—in fact, may change daily or hourly. Knowing your values and priorities makes it much easier to be adaptable in your personal life, as well as your business.
- Build personal support networks of relatives, friends and paid service providers who can help you fulfill family responsibilities and pitch in when there is an unexpected emergency.
- Realize that priorities change over time as children grow up and the business matures. You can't have it all at the same time—and probably don't want to—but you CAN have it all over a lifetime.

Professional life

- Responsibilities towards Business partners – Have clear and defined roles & responsibilities, act respectfully, protect confidential information, develop trust and keep commitment.
- Responsibilities towards Organization- use technology to improve efficiency e.g. inventory planning, online analytical processing, enterprise resource planning (ERP) system, etc.
- Responsibilities towards Employees – Provide conducive working environment for good work culture, provide empathetic view towards employees (Empathy is the ability to experience and relate to the thoughts, emotions, or experience of others. Empathy is more than simple sympathy, which is being able to understand and support others with compassion or sensitivity.)
- Responsibilities towards Suppliers – Pay your bills promptly. Paying late will strain your relationship with the supplier.
- Responsibilities towards Customers – Ensure consistent good quality product at the right price, extend customer delight.
- Responsibilities towards competitors – Compete effectively and only in areas that are legal and ethical and avoid at all time unfair competition.

- Responsibilities towards Bankers / Financers – Repayment of interest and principal amount as per schedule, restrict diversion of loans to the uses other than the specific purpose for which it has been given.
- Responsibilities towards Society – Generation of employment opportunities
- Responsibility towards government – Pay taxes, duties in time, comply government rules, procedures and legal requirements
- Build professional networks of colleagues and friends who can step in for you in a professional emergency.
- Remember Money is not happiness.
- Work fewer hours, but work smarter
- And finally REMEMBER No one is perfect. Try to do your best.

B ENTREPRENEUR'S ROADMAP



Idea Conceptualization

1. Do you have an idea to start something new?
2. Take a piece of paper and jot down your idea
3. Identify how your business will interact with your stakeholders
4. Define your Business Model
5. How will you monetize your venture?
6. Prepare your Revenue Model
7. Identify your venture's USP (Unique Selling Point)



Analysis

8. Do your Market Research to understand your customers' needs?
9. Learn the industry's Best Practices
10. Know your competitors and their business
11. Identify the market gap/and pain points
- 12. Do the SWOT analysis**
13. Is there an adequate opportunity?
14. Is your venture feasible?

If not, Go back 12 steps



Strategy

15. Segment your customers
16. Identify your target market
17. Position your products
18. Define your “Go to Market” and customer engagement strategy
19. Prepare your rollout plan
20. Create your processes and controls
21. Plan your personnel strategy
22. How will you get them?
23. How will you train them?
24. Define projects millstones
25. Plan your timelines
26. Time to now your numbers
27. Calculate your cost
28. Projects your sales
29. List your start up expenses
30. Prepare your projected financial statements
31. Have you got everything in place?

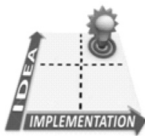
If not, Go back to start

32. Collect all of them into a solid Business Plan



Planning

33. Get yourself a kick off team
34. Have you thought about the funding?



Implementation

35. Angle funding / VC funding
36. Invest in Research and development
37. Roll out the pilot plan
38. Strategize your launch
39. Monitor your break even
40. Scale up and expand



Entrepreneurship is a journey, not a destination.

C SUCCESSFUL ENTREPRENEURS' PERSONALITY

An entrepreneur is a businessperson who not only conceives and organizes ventures but also frequently takes risks in doing so.

- **Dreamers and Doers** - Entrepreneurs are ultimately dreamers and doers. They are always breaking new ground and developing new ideas. If you have a dream or a vision it becomes so much easier to put in the effort required to get where you want to be.
- **Dedication and Commitment** - Entrepreneurs are dedicated and committed to bringing their dreams to life & to turn them into reality.
- **Time and Support** - Being able to leverage your time is an important skill to have or learn.
- **Inspiration and Belief** - Being able to inspire people is a vital quality for achieving success. But to inspire people you need to have total belief in what you are doing - be passionate about it, live it, breathe it, and have lots of energy and enthusiasm.
- **Communication and Networking** - An integral part of running a successful business involves networking with other people and being able to communicate effectively with your clients, financiers and team members.
- **Strong sense of independence** - This requires a strong drive to be in charge of one's own destiny.
- **Ability to keep focused on the goal.** There are literally hundreds of things to keep track from finances to inventory, from employee satisfaction to marketing and PR.
- **A selfless personality** Always sacrifices personal interests or well-being for the benefit of others or for a cause.
- **Feels a Sense of Ownership**- Rather than viewing a problem as someone else's, the entrepreneur sees it as his or her own and takes pride in finding a solution, leaving things in better shape than they were before encountering them, and improving upon situations rather than leaving them unattended.
- **System-Oriented** -Entrepreneurs rely upon systems before they rely upon people, and they look for system based solutions before searching for human resource solutions.
- **Grateful**- Entrepreneurs learn to take nothing for granted in this world. That gives them the agility and flexibility to adapt to changes and demands.

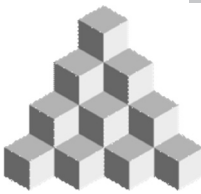
D MANAGING EXCELLENCE IN CAREER

Good is no longer good enough. The 21st century manager must continually strive to achieve excellence.

‘Whatever you are doing, no matter how well you do it, can be done better still.’

- **Achieving excellence-** Enhance management potential by improving the skills and developing a confident approach to your career.
- **Leading effectively-** Develop the skills to inspire excellence in others, from motivating staff to communicating a vision
- **Managing people-** Get the best from the team by first-class people, skills and troubleshooting their common problems.
- **Coaching successfully-** Encourage others to achieve their full potential by defining targets, supporting progress and promoting initiative.
- **Managing projects-** Maximize the success of projects by learning to plan, implement and monitor activities and tackle problems.
- **Thinking strategically-** Identify the route to success by understanding the position, defining your goals and putting your plan into action.
- **Managing budgets-** Use budgets as a positive business tool to enhance performance, prepare accurate forecasts and monitor spending.
- **Understanding accounts-** Acquire the key skills for interpreting financial documents from balance sheets to cash flow forecasts.
- **Selling successfully-** Learn the art of a successful selling from understanding customers and motivating a sales team to closing a deal.
- **Marketing effectively-** Develop a marketing strategy based on customer research, strong branding and targeted publicity,
- **Understanding IT-** Discover the benefits and challenges of information technology and learn how to manage its impact and use.
- **Moving to E-Business-** Understand customers' needs and streamline the processes to exploit e-business opportunities.

E BUSINESS START-UP CHECKLIST



The following is a checklist covering the fundamentals of launching your own business venture.

1. **THE IDEA**- Every business begins with an idea. The challenge is to come up with one that is practical, useful, and marketable.
2. **NEED**- Make sure the world is waiting for your idea. One of the most difficult tasks for entrepreneurs is being honest with themselves. Doing some hard, realistic market research often uncovers a need, and clues you in on the quantity, the quality, and the price that will work.
3. **EXPERTISE**- The more knowledge you have about your new business, the more confident you will be to achieve your goals. If you discover any loopholes or doubts, slow down and take the time to find out more about your project.
4. **DISCIPLINE**- Look in the mirror and make sure you like what you see. Remember, entrepreneurship means self-management. The hours will be long, the work demanding, and the income meager at the beginning. You must decide whether you are up to the sacrifices that running a business demands.
5. **FAMILY**- Discuss your plans with your spouse and get his or her approval and cooperation. Talk to your kids as well. Running a business is not a 9-to-5 job. You can't do your best if you have to struggle with family resentment.
6. **START-UP**- There's a lot of baggage to take along on your road to success. Now is the time to sort it out. Make lists, think things through, and allow time to do everything. Time and money, particularly at start-up, are changeable. Allow for a safety margin.
7. **PLANNING**- The best-laid plan is a business plan. A business plan preparer or accountant can write it for you, but you still have to do the thinking and come up with the basic figures. There are two primary reasons for writing a business plan: A) To guide you in developing your business along sound lines and call your attention to any oversights; and B) To provide basic documentation to help get a bank loan or other financing. The key to a good business plan is being honest with you. Don't fool yourself – because you certainly can't fool a banker.
8. **CAPITAL**- The simplest way to finance your business is to start with your own money. The next best way is to borrow money from family, friends, shareholders, or a bank. But don't borrow more than you need. Remember, it has to be paid back, usually with interest.

9. **PARTNERSHIP**- Like marriage, a partnership is something desirable; and, like marriage, it is often difficult. You may want to explore a partnership when you: A) need additional capital which you cannot raise through family, friends, or investors; B) need someone to balance your skills or shortcomings; or C) do not want to take full responsibility and the time it takes to run a business alone. If you go the partnership route (even with a relative or close friend), get a good lawyer.
10. **BREAK-EVEN POINT**- Determining the break-even point for a service business is more difficult. Keep a time sheet for a week or so, jotting down everything you do during the day. You'll probably be surprised to discover that only 30 to 50 percent of your time can be assigned to a specific task or customer. To compensate for the rest of your time, you need to double or triple the amount you want to earn after expenses.
11. **COMPETITION**- If you have a good product or service, plenty of people will be trying to do it better. Protect yourself by keeping an eye on competitors, even the indirect ones.
12. **NETWORKING**- It is important to meet people in person. Attend events, go to conferences, be a joiner. Even online networking is important, but ultimately it helps to meet people where they are.
13. **RESOURCE**- Some of the best things in life are free. Take advantage of a wealth of knowledge at little or no cost from the small business development centers and small business institutes, where they offer counseling in every stage of business.
14. **LOCATION**- If you're planning to start a business outside your home, you may be embarking on the biggest business investment of your life. Before you sign on the dotted line, be sure the location meets your needs. Check zoning, signage, and peripheral expenses, in addition to the lease, escape clauses to allow for emergencies, neighbours, competitive restrictions, parking, utilities, your landlord's reputation, traffic patterns etc.. Then get a good lawyer who can read the fine print and triple-check every word.
15. **ACCOUNTING**- A good accounting and record-keeping system set up by a knowledgeable professional is a must. Even the best system, however, serves little purpose if it is above your head or beyond your capacity to maintain. You need to be able to read the figures for yourself. Your accounting system should be able to tell you three things: 1) How much money you have at all times? 2) What bills you need to pay and when? and 3) What taxes are due and when?
16. **MARKETING**- There are many ways of selling your products and services—advertising, sales promotion, packaging, signs, sales training, trade shows, direct mail and mail order, as well as other merchandising methods. You can also hire professionals to do them; but ultimately, it's up to you to understand these strategies and monitor them continuously.

17. **CREDIT**- From the start, establish a credit policy for your customers, detailing how you'll handle credit cards, partial payments, discounts, payment plans, returns, delayed payments. How far you will extend credit and to whom must be part of a formal policy that should be made clear on your billing invoices and in your dealings with customers and clients.
18. **PRICING** - When setting prices, take into consideration all your anticipated expenses, as well as what the competition charges. A superior image often allows you to charge more: Customers may be willing to pay extra for convenience, reliability, and great service.
19. **ETHICS, ENVIRONMENTAL CONCERNS, AND QUALITY (EEQ)**- More and more educated consumers appreciate EEQ in business. Keep in mind, you will have no problem doing the right thing by your environment, employees, and customers.
20. **THE FUTURE**- Think beyond today's idea. Plan for the future now, and today's small business may grow to be extremely valuable, and generate enough money to finance tomorrow's big idea.

Source:- <http://mbahighway.com/business-start-up-checklist/>

F SELF-ASSESSMENT CHECKLIST FOR ENTREPRENEUR

The following is a series of questions designed to help you determine whether your personal characteristics, attitudes, likes and dislikes are indicative of whether you are well suited to start your own business.

Each question in this test is a multiple-choice question with three possible answers. Read over each question carefully and then enter your response in the blank provided at the left.

A. ARE YOU A SELF STARTER?

1. _____ I don't put myself out until I have to.
2. _____ If someone gets me started, I keep going all right.
3. _____ I do things on my own. Nobody has to tell me to get going.

B. HOW DO YOU FEEL ABOUT OTHER PEOPLE?

1. _____ Most people irritate me.
2. _____ I have plenty of friends
3. _____ I don't need anyone else.
4. _____ I like people. I can get along with just about anybody.

C. CAN YOU LEAD OTHERS?

1. _____ I let someone else get things moving. Then I go along if I feel like it.
2. _____ I can give the orders if someone else tells me what we should do.
3. _____ I can get most people to go along when I start something.

D. CAN YOU TAKE RESPONSIBILITY?

1. _____ there are always some people around wanting to show how smart he / she is. I say, let him / her.
2. _____ I'll take over if I have to, but I'd rather let someone else be responsible.
3. _____ I like to take charge of things and see them through.

E. HOW GOOD OF AN ORGANIZER ARE YOU?

1. _____ You get all set and then something comes along and presents too many problems. So I just take things as they come.
2. _____ I do all right unless things get confused. Then I quit.
3. _____ I like to have a plan before I start. I'm usually the one to get things lined up when the group wants to do something.

F. HOW GOOD A WORKER ARE YOU?

1. _____ I can't see that hard work gets you anywhere.
2. _____ I'll work hard for a while, but when I've had enough, that's it.
3. _____ I can keep going as long as I need to. I don't mind working hard for something I want.

G. CAN YOU MAKE DECISIONS?

1. _____ I don't like to be the one who has to decide things.
2. _____ I can if I have plenty of time. If I have to make up my mind fast, I think later I should have decided the other way.
3. _____ I can make up my mind in a hurry if I have to. It usually turns out OK, too.

H. CAN PEOPLE TRUST WHAT YOU SAY?

1. _____ Why bother if the other fellow doesn't know the difference.
2. _____ I try to be on the level most of the time, but sometimes I just say what's easiest.
3. _____ You bet they can. I don't say things I don't mean.

I. CAN YOU STICK WITH IT?

1. _____ If it doesn't go right, I quit. Why beat your brains out?
2. _____ I usually finish what I start — if it goes well.
3. _____ If I make up my mind to do something, I don't let anything stop me.

J. HOW GOOD IS YOUR HEALTH?

1. _____ I run out of energy sooner than most of my friends seem to.
2. _____ I have enough energy for most things I want to do.
3. _____ I never run down!

If you are seeing mostly 3's then you are probably the right personality to go into business for yourself. If you see more 2's and 3's, then again this is probably NOT for you.

Source:- <http://mbahighway.com/entrepreneur-self-assessment/>

If you have answered the questions as truthfully as possible, the results should at least give you some insight about yourself.

G THINK CRITICALLY

1. Why do you want to become an entrepreneur? Do you think they are common to all entrepreneurs or are some of your reasons unique?
2. Entrepreneurs can fail even if they are committed and have the characteristics needed to be successful. Why do you think this can happen?
3. Why is it important for entrepreneurs to choose a field that they will enjoy?
4. Do you think the advantages of entrepreneurship outweigh the disadvantages? Why or why not?
5. In terms of annual income, what financial goals have you set for yourself for five years? What non-financial goals have you set that becoming an entrepreneur can help you achieve? Are financial or non-financial goals more important to you? Why?
6. Other than going to the library and attending trade shows, can you think of other ways to investigate business opportunities?
7. Why is it important for an entrepreneur to listen to employees? Why is it important to listen to customers?
8. Have you ever wanted something, but couldn't find the item? Why couldn't you find it?
9. If the price is similar at several stores, do you always buy at the same store? Why or why not?
10. When you purchase an existing business, why is it important to know the owner's reason for selling?
11. Your family owns a successful business that distributes flowers to local florists. Your parents work full time in the business. They have offered you a position in the company after you graduate from College. Will you accept their offer? Why or why not?
12. Do you think starting a business from scratch won't be more challenging than buying an existing business or franchise? Why or why not?
13. Franchisors often offer training and technical assistance. Why do you think they provide these services? Why do you think the quality of the business plan is so critical to an entrepreneur's success?
14. Why is it possible to write an executive summary only after you have written your business plan? Why might the executive summary be more important than the body of the plan?
15. Why do you think while doing market survey, short questionnaire is more effective than long one? Why should you only include questions that serve as specific purpose?
16. Why do you think banks require so much financial information when considering lending money? Why should you provide both worst and best case scenario for your proforma cash flow statement?

17. Why do you think most businesses prepare income statements on an annual basis? Why might it be helpful to an entrepreneur to view an income statement each month?
18. Why is a secured loan easier to obtain than an unsecured loan?
19. You own a pizza shop. You suspect that one of your delivery people is charging customers more than what they actually owe and keeping the difference. How would you handle this situation?
20. When marking the trade area for your potential business, why should you indicate the locations of your competitors?
21. Why is it important to obtain price quotes from several different vendors before purchasing business equipment and supplies?
22. Why does the location of a retail business play a role in its success? Can you think of successful retail businesses that are located in remote areas? Why do you think they are successful?
23. What is relationship between short-term goals and long-term goals?
24. Why do you need to check job applicant's references?
25. Why do you think it is difficult for many entrepreneurs to delegate?
26. Which goals do you think are more important to meet: sales goals or profit goals? Explain.
27. Do you think it is necessary for entrepreneurs to understand how financial statements are created? Why or why not?
28. What is the relationship between profit and the break-even point? Why is it important for an entrepreneur to conduct a break-even point? Why is it important for an entrepreneur to conduct a break-even analysis?
29. In your opinion, what are the advantages and disadvantages of using email to communicate with co-workers, vendors and customers?
30. Why is it important for business owners to donate money and get involved in social activities? Do you think this behaviour helps their businesses? Why or why not?

H CASE STUDIES

What is a Case Study?

A case study is a description of an actual administrative situation involving a decision to be made or a problem to be solved. It can be a real situation that actually happened just as described. Most case studies are written in such a way that the reader takes the place of the manager whose responsibility is to make decisions to help solve the problem. In almost all case studies, a decision must be made, although that decision might be to leave the situation as it is and do nothing.

Preparing A Case Study

Quickly read the case. You should then be able to answer the following questions:

- Who is the decision maker in this case, and what is their position and responsibilities?
- What appears to be the issue (of concern, problem, challenge, or opportunity) and its significance for the organization?
- Why has the issue arisen and why is the decision maker involved now?
- When does the decision maker have to decide, resolve, act or dispose of the issue? What is the urgency to the situation?

Consider following steps to analyze the case

Defining the issue(s) –

- What appears to be the problem(s) here?
- How do I know that this is a problem?
- What are the immediate issues that need to be addressed?
- Differentiate between importance and urgency for the issues identified. Important issues are those that have a significant effect on: profitability, strategic direction of the company, source of competitive advantage, morale of the company's employees, and/or customer satisfaction.

Analyzing the case data

- Why or how did these issues arise? resources, such as materials, equipment, or supplies, and people who transform these resources using processes, which creates something of greater value.
- Who is affected most by these issues?
- What are the constraints and opportunities?
- What do the numbers tell you?

Generating alternatives

- Be realistic

Selecting decision criteria

- The criteria that you may have used could have been: price, profitability, increasing sales, maintaining customer satisfaction, employee morale, flexibility, environmental impact, availability etc.

Analyzing and evaluating alternatives

- Each alternative compare with each criteria.
- Consider levels- best, worst, most likely etc.

Selecting the preferred alternative

Developing an action/implementation plan

Case Studies

1. THE CASE OF THE FAILED ICE CREAM SHOP

MISJUDGING THE CUSTOMER- What went wrong?

Deepak was not happy selling office equipment in Pune. For years he dreamed of starting his own business. His parents encouraged the dream. They researched lots of business ideas and franchise opportunities. They negotiated a franchise agreement with “Blueberry” a chain of ice cream stores. The company had a good reputation, natural flavours, quality product and a great marketing hook.

The population was growing in that area because of lot of residential complexes. The only other chain in the area was Baskin-Robbins, which was doing quite well. They chose the site for their business five minutes from the existing shop. Even after promotion of their products in newspapers and radio, price off coupon flyers in less than eight months Deepak’s Blueberry was bankrupt. What went wrong?

***Points to consider** – estimation of demand, expensive media for promotion, over confidence, price off coupons affected profitability etc.*

2. PARTNERSHIP

WOES WITH A FRIEND - What went wrong?

Sandeep & Prakash met while working at a video production company. Sandeep was in charge of editorial and production. Prakash ran the sales force. Sandeep decided to begin his own company and invited Prakash to join him. SP Communications seemed like a perfect partnership. Prakash would handle sales and administration, while Sandeep managed clients and directed production.

Things seemed to be going well, especially when they landed a major project. But Prakash wanted a “creative” job too. He spent most of his time producing videos rather than

looking for new business. Sandeep's loyalty to Prakash made him blind to many things that were obvious to others. Because of their friendship, he trusted that Prakash was taking care of his side of the business.

As it turned out, Prakash was not very good at the tasks he took on. He made mistakes that reduced expected profits. He was not making new sales contacts, which was supposed to be the main part of his job. If that weren't enough, the feeling that he was letting his friend down made Prakash feel even worse. Prakash began to avoid talking to Sandeep. He stopped coming to the office. Finally he stopped returning phone calls.

By the time Sandeep realized what was happening to the business it was too late. There were not any new sales. What Sandeep thought that profits was the result of Prakash not paying their bills. Sandeep was left with more than Rs 5,50,000 in unpaid bills and other debts. A tearful message on the answering machine from Prakash awkwardly announced, "I am moving out to Nagpur for a while. Sorry it didn't work out. It took Sandeep 3 years to dig out of the financial mess and get his new company.

Points to consider- *how to avoid such problems in partnership, proper communication, how to handle situations.*

3. LOCATION

RIGHT SPACE WRONG PLACE

Mr. Manik opened a restaurant and within the first ten months he was making profits. One day he thought the response is so good then he decided to shift his restaurant in a much bigger place on lease.

Manik knew that the city had no other similar restaurant. He researched and verified the population numbers and demographics for the geographical area. It was on the main road, just off the freeway. He even did a traffic-flow study and the numbers were terrific.

The 'Grand Opening Week' went well. But then business began to fall off.

Yes there was plenty of traffic, but Mr. Manik's restaurant was on the wrong side of the street. Customers coming from the freeway exit could not cross the restaurant and there was a "No U-Turn" sign at the corner. When Manik tried to improve his visibility and signs to attract and direct more freeway traffic, he found that city regulations prevented it. After 6 months, Manik suffered loss and decided to move back. But in the meantime some other business had occupied the earlier place.

Points to consider – *Precautions to be taken while selecting the location, consulting people.*

4. TECHNOLOGY / USE OF INTERNET

Varun and Ramesh ran a few successful shops. They eagerly adopted the new internet technology. They assumed it would be a simple extension to a global marketplace. They

hired a new internet web designer, bought computers and servers and hired an Internet manager. But then they met with a big challenge.

Varun and Ramesh offered more than 150 items online. But it took too long for the images of each item to get downloaded and customers wouldn't wait. They upgraded their technology and reduced number of items offered. They also found they needed more staff because every sale involved a 6 to 8 minutes phone call to their toll free number. They found that advertising for their existing businesses and for the Internet venture were very different. After few months they realized that their Internet venture suffering from cash flow, focus and energy from the primary business was getting diverted. Finally they suffered losses and had to shut down their business.

***Points to consider** – what went wrong? What were the alternatives?*

5. COMPUTERISED RECORD KEEPING

ALL YOUR EGGES IN ONE BASKET

After working for 6 years at a Toyota dealership, Bimal borrowed money from his family and started Japanese car parts distributorship. The business grew and in ten years it had twelve employees, thousands of parts in inventory and hundreds of customers across the country.

Bimal kept the hand written books and records for the business. Bimal had 18 year old computer-wiz son Tanay. Bimal gave Tanay the task of setting up a computer system and transferring all his accounts, inventory and financial information from his paper records to new electronic format. Tanay bought state of the art computer hardware and software. He worked long hours transferring the hand written data into computer files and creating applications to improve the business. Within a year Bimal stopped keeping handwritten records. In the next year the business ran more smoothly than ever.

Tragedy struck the business. Tanay found robbers in the business office. The thieves had stolen petty cash, office phones, stereo system and the computer. Bimal had left all the electronic record keeping to his son and they had not made the back up copies of all the files that had been stored on the stolen computer. It took months together to build up the record again.

***Points to consider** –Precautions to be taken while using technology.*

6. BORROWING FUNDS

A recent graduate of a technical institute is quite skilled in the use and application of computer technology. She wants to start a cyber café close to the institute where students can meet, socialize and use the computers(5 Nos.). She will probably need to borrow capital to start her business. If you were her, how would you respond to the following questions regarding obtaining capital:

1. How much will five computers for the cyber café cost?
2. Will she be able to obtain credit from the store where she purchases the computers?
3. Where can she go to borrow?
4. If she has to go to a bank for a loan, how can she increase her chances of obtaining a loan?
5. How much capital will she need to finance a cyber café?

7. DECISION MAKING

PROBLEM : Suppose you are self-employed in a small business employing 4 people, (2 full-time and 2 part-time). All your employees are dependable except one full-time person who is often late and frequently asks for extra days off. This situation is creating a low morale with other employees.

DIRECTIONS : Fill in the chart below with 3 alternative solutions along with the advantages, disadvantages and potential consequences of each solution.

Alternative solutions	Advantages	Disadvantages	Potential consequences
1			
2			
3			

I WORKSHEETS

1. IDENTIFYING BUSINESS IDEAS

Introduction

- A business idea is a prerequisite for a successful business venture. Good business ideas, however, do not usually just occur to an entrepreneur. Rather, they are the result of effort and often originality on the part of the entrepreneur.
- Finding a good idea is the first step in transforming the entrepreneur's desire into a business opportunity.
- There are numerous sources of good ideas. To be successful in generating or finding one, however, the entrepreneur needs to keep his/her mind and eyes open and be alert to grab the opportunities.
- An idea is only a tool. The idea needs to be developed and transformed into a viable business opportunity.

Activity 1

Write down the skills, experience, training and background that they have to start a business. Examples could include: catering, welding, computer programming, courier service, etc.

Group Activity 2

Divide the class into small groups based on the common hobbies/interests listed by the group members. Each group of learners must choose one idea that they wish to develop into a business. On a separate sheet of paper, the group should describe their best business idea, including the product or service in detail as well as who might be the likely customers. Each group will have 15 minutes for this task. Then each group will be given 5 minutes to present their idea to the entire class.

New Ideas from Old

Make it bigger or add new parts. Two examples are "giant economy sizes" of products and increasing the size of a business to include more products or to serve a larger area.

Make it smaller or eliminate parts. Examples are transistor radios, pocket calculators, pen drive. Modify parts or ideas. Examples are changing colours, tastes, odours and styles. Soap sare often changed in their color and odour. Automobile styles are changed yearly.

Examples - Rearranging parts for designing buildings, any machine.

Reversing - Reversing parts is in automobiles in which the shaft and the engine are reversed in location. Another example is reversing roles of persons, such as a husband

assuming homemaking responsibilities while a wife assumes the role of breadwinner.

Substitute different materials, parts, or methods - Substitution of plastic for wood and metal.

Combine parts or ideas - “Home entertainment unit,” which combines a television, radio, tape player, record player and many more.

Practical Application

1. Think of an object used or produced in a work situation. Write the name of the object;
2. Name the basic parts of the object.
3. How could the object or part of the object be made bigger / be made smaller / be modified?
4. How could the parts of the object: be rearranged / be reversed / be substituted / made of a different material?
5. How could your ideas be combined and be useful in making a new product?

Below are **descriptions of three different types of people**. Read all three descriptions carefully. Mark an “X” beside the description you believe most closely describes you.

Description I

You are not bound by ordinary ways of thinking. You can develop and recognize ways to combine ideas in new ways. You are willing to experiment even when you are not sure your work will be rewarded. Because you seldom depend on others, you can provide yourself with the time, energy and isolation that are necessary for creative activities. You are not likely to be distracted or discouraged by others once you become interested in a challenging task.

Description II

You can recognize and appreciate a creative idea, although you usually do not produce these ideas by yourself. You probably engage in creative activities which involve using your hands or which involve objects you can see and touch. You start creative projects sometimes, but you may lose patience and interest when a project requires you to work for a long time by yourself.

Description III

You are usually more interested in practical down-to-earth matters than in chasing dreams. Since you tend to be very realistic in your thinking, you may not be aware of unusual ideas that are necessary for creative problem solving. Because you prefer to work with other people, you rarely set aside time to work by yourself on your ideas. You are more likely to engage in activities which give you immediate results and which may be shared with others.

2. QUIZ TO PREPARE BUSINESS BACKGROUND

For each question below, please write the answer (on a separate sheet of paper) that best matches to that best matches your views. Please be objective and honest with yourself. There is no right or wrong answer for this exercise.

1. How or where do you see yourself in 10 years' time, in terms of career or occupation (please state your response clearly):
2. List the names and occupations of 3 people whom you consider to be particularly good examples of who/what you would like to be in life: (a) (b) (c)
3. Do you have any close friends or relatives who are running their own businesses (or are self-employed)? (a) Yes (b) No
4. Have either or both of your parents ever been self-employed (or operated their own businesses)? (a) Yes, for most of their working life (b) Yes, for a limited period of time (c) No
5. All things being equal, would you prefer to be self-employed or to be employed by a firm? (a) I would prefer to be employed by a firm (b) I would prefer to be self-employed
6. Would you say it was impossible, difficult or easy for you to start your own business at the present time? (a) Impossible (b) Difficult (c) Easy
7. Do you think presently there is a support in the family for (e.g. help with finance, infrastructure) for you to start your own business? (a) Yes (b) No
8. What is your gender? (a) Male (b) Female
9. Do you think men and women have equal access to business opportunities and support services? (a) Yes (b) No
10. Have you ever started a micro business in your free time? (a) Yes (b) No

3. BEHAVIOUR OF THE ENTREPRENEUR

Bank Manager and the Entrepreneur

ENTREPRENEUR : Good Morning Mr . Manager

MANAGER: Good morning, Welcome. Have a seat.

ENT: I am Shashank. I have been your customer for the past seven years. I have come to enquire about the loan to start a small production plant for extracting starch from potato.

MAN: My customer!!! Is it?

ENT: Yes, I have an account here!

MAN: Well did you bring any documents?

ENT: Yes, Here they are? (He hands a scrambled envelop). Inside there you find the cash flow statement, feasibility study and a project proposal prepared by my friend.

MAN: Alright, all the documents are there. But poorly written. You should write in the proposed format. Contact my Small Scale Industry promotion officer. He will tell you what to do.

ENT: You mean do I have to start a fresh?

ENT: Mr. Manager, it is very expensive to prepare such documents, you are delaying the time for the loan. I want to start my production immediately. I need money.

MAN: What are your expectations from the project? Do you know your customers, the markets and the source of raw materials?

ENT: My colleague says, there is plenty of potato grown in our region. It is used by many food processing units. Other customers will come when the products are on sale.

MAN: Thank you. Go and do what I have told you to get the loan. Goodbye!!

ENT: Ohh, My time is wasted! (grumbling the entrepreneur).

Questions:

1. Is there anything wrong with the behaviour of the entrepreneur?
2. Is the entrepreneur conversant with his project? Explain
3. What should the entrepreneur do to convince the bank manager?
4. Write ten things that show the entrepreneur is not a good negotiator.
5. What should the entrepreneur do to improve his negotiating skills?

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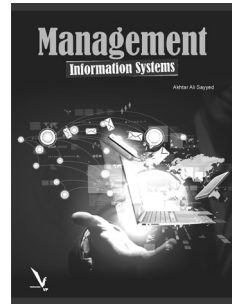
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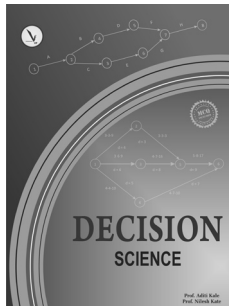
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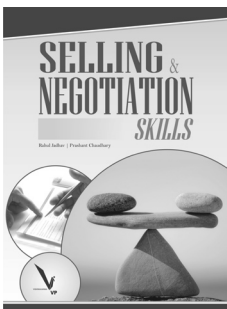
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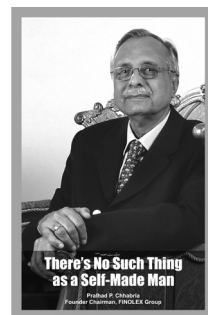
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