

ENTREPRENEURSHIP DEVELOPMENT

BRANCH- MBA (2nd. SEM.)

FACULTY- BIBEKANANDA MOHANTY

Module-I

Entrepreneurship: Concept of entrepreneurship and intrapreneurship, Types of Entrepreneur, Nature and Importance, Entrepreneurial Traits and Skills, Entrepreneurial Motivation and Achievement, Entrepreneurial Personality, Entrepreneurship as a career, Role of family, Society EDIs. Sickness of Small-Scale Industries, Causes and symptoms of sickness, cures of sickness, Role of Banks and Governments in reviving industries.

Module II

Environmental Analysis for Enterprise : Entrepreneurial Environment, Identification of Opportunities, Converting Business Opportunities into reality. Start-ups and business incubation, Setting up a Small Enterprise. Issues relating to location, Environmental Problems and Environmental pollution Act, Industrial Policies and Regulations, identifying big idea, preparation of Business Plan.

Accounting for small business, Working capital Management, Marketing Management, Human Resources Management, and Labor Laws. Organizational support services - Central and State Government Incentives and Subsidies.

Module III

Startup and Business Incubation : Start up; Definition, Startups ecosystem: support organizations, big companies, universities, funding organizations, service providers, research organizations, Startup development phases, Ideating, concepting, committing, validating, scaling, establishing, Startup business partnering, Startup culture, Co-founders, Preparing to Launch : Financing startups : Different stages of financing; Co-founders, FFF, Angels; Venture Capitals, Business Incubation : Business Incubation Definition and Principles, Incubator Models and Success Factors, Business Incubation, Incubator Operation, Roles of business incubation..

Module-I

ENTREPRENEUR AND ENTREPRENEURSHIP

According to George Bernard Shaw, people fall into three categories: (1) those who make things happen. (2) Those who watch things happen, and (3) those who are left to ask what did happen. Generally, entrepreneurs fall under the first category.

MEANING AND DEFINITION OF ENTREPRENEUR

The word 'entrepreneur' is derived from the French word *entreprendre*. It means 'to undertake'. Thus, entrepreneur is the person who undertakes the risk of new enterprise. Its evolution is as follows.

EVOLUTION OF THE CONCEPT OF ENTREPRENEUR

☐ **EARLY PERIOD:** The earliest definition of the entrepreneur as a go-between is Marco Polo. He tried to establish trade route to the Far East. He used to sign a contract with adventure capitalist to sell his goods. The capitalist was the risk bearer. The merchant adventurer took the role of trading. After his successful selling of goods and completing his trips, the profits were shared by the capitalist and the merchant.

☐ **MIDDLE AGES:** The term entrepreneur was referred to a person who was managing large projects. He was not taking any risk but was managing the projects using the resources provided. An example is the cleric who is in charge of great architectural works such as castles, public buildings, cathedrals etc.

☐ **17th CENTURY:** An entrepreneur was a person who entered into a contractual arrangement with the Govt. to perform a service or to supply some goods. The profit was taken (or loss was borne) by the entrepreneur.

☐ **18th CENTURY:** It was Richard Cantillon, French Economist, who applied the term entrepreneur to business for the first time. He is regarded by some as the founder of the term. He defined an entrepreneur as a person who buys factor services at certain prices with a view to sell them at uncertain prices in the future

☐ **19th CENTURY:** The entrepreneurs were not distinguished from managers. They were viewed mostly from the economic perspective. He takes risk, contributes his own initiative and skills. He plans, organizes and leads his enterprise.

☐ **20th CENTURY:** During the early 20th century Dewing equated the entrepreneur with business promoter and viewed the promoter as one who transformed ideas into a profitable

business. It was Joseph Schumpeter who described an entrepreneur as an innovator. According to him an entrepreneur is an innovator who develops untried technology.

21st CENTURY: Research Scientists live De Bono pointed out that it is not always important that an individual comes up with an entirely new idea to be called an entrepreneur, but if he is adding incremental value to the current product or service, he can rightly be called an entrepreneur.

An entrepreneur of 21st century is a customer focused innovator. He uses e- knowledge. Advantage is speed. He is a global thinker even though he may not necessarily be a global player.

An entrepreneur is ordinarily called a businessman. He is a person who combines capital and labor for the purpose of production. He organizes and manages a business unit assuming the risk for profit. He is the artist of the business world.

In the words of J.B. Say, "An entrepreneur is one who brings together the factors of production and combines them into a product". He made a clear distinction between a capitalist and an entrepreneur. Capitalist is only a financier. Entrepreneur is the coordinator and organizer of a business enterprise. Joseph A Schumpeter defines an entrepreneur as " one who innovates, raises money, assembles inputs and sets the organization going with the ability to identify them and opportunities, which others are not able to fulfill such economic opportunities". He further said, "An entrepreneur is an innovator playing the role of a dynamic businessman adding material growth to economic development".

E: examine needs, wants, and problems to see how they can improve the way needs and wants are met and problems overcome.

N: narrow the possible opportunities to one specific "best" opportunity.

T: think of innovative ideas and narrow them to the "best" idea.

R: research the opportunity and idea thoroughly.

E: enlist the best sources of advice and assistance that they can find.

P: PLAN their ventures and look for possible problems that might arise.

R: rank the risks and the possible rewards.

E: evaluate the risks and possible rewards and make their decision to act or not to act.

N: ever hang on to an idea, no matter how much they may love it, if research shows it won't work.

E: mploy the resources necessary for the venture to succeed.

U: nderstand that they will have to work long and hard to make their venture succeeds.

R: ealize a sense of accomplishment from their successful ventures and learn from their failures to help them achieve success in the future.

CHARACTERISTICS OF AN ENTREPRENEUR

An entrepreneur is a highly achievement oriented, enthusiastic and energetic individual. He is a business leader. He has the following characteristic:

- 1) An entrepreneur brings about change in the society. He is a catalyst of change.
- 2) Entrepreneur is action-oriented, highly motivated individual who takes risk to achieve goals.
- 3) Entrepreneur accepts responsibilities with enthusiasm and endurance.
- 4) Entrepreneur is thinker and doer, planner and worker.
- 5) Entrepreneur can foresee the future, seize market with a salesman's persuasiveness, manipulate funds with financial talent and smell error, frauds and deficiencies with an auditor's precisions.
- 6) Entrepreneur undertakes venture not for his personal gain alone but for the benefit of consumers, government and the society as well.
- 7) Entrepreneur builds new enterprises. He possesses intense level of determination and a desire to overcome hurdles and solves the problem and completes the job.
- 8) Entrepreneur finds the resources required to exploit opportunities.
- 9) Entrepreneur does extraordinary things as a function of vision, hard work, and passion. He challenges assumptions and breaks rules.
- 10) Although many people come up with great business ideas, most of them never act on their ideas.

DEFINITION OF ENTREPRENEURSHIP

In the words of Stevenson and others, "Entrepreneurship is the process of creating value by bringing together a unique package of resources to exploit an opportunity." According to A.H.Cole, "Entrepreneurship is the purposeful activities of an individual or a group of associated individuals undertaken to initiate, maintain or organize a profit oriented business unit for the production or distribution of economic goods and services".

All activities undertaken by an entrepreneur to bring a business unit into existence are collectively known as entrepreneurship. It is the process of changing ideas into commercial opportunities and creating values. In short, entrepreneurship is the process of creating a business.

NATURE AND CHARACTERISTICS OF ENTREPRENEURSHIP

Features of entrepreneurship are summarized as follows:

- 1) It is a function of innovation.
- 2) It is a function of leadership.
- 3) It is an organization building function.
- 4) It is a function of high achievement.
- 5) It involves creation and operation of an enterprise.
- 6) It is concerned with unique combinations of resources that make existing methods or products obsolete.
- 7) It is concerned with employing, managing, and developing the factors of production.
- 8) It is a process of creating value for customers by exploiting untapped opportunities.
- 9) It is a strong and positive orientation towards growth in sales, income, assets, and employment.

INNOVATION AND ENTREPRENEURSHIP

Innovation is one of the underlying dimensions of entrepreneurship. It is a key function in the entrepreneurial process. Without innovation, an entrepreneur cannot survive in the modern competitive business world. Entrepreneurship is a creative and innovative response to the

environment and an ability to recognize, initiate and exploit an economic opportunity. An entrepreneur is an innovator who introduces something new in an economy.

Entrepreneur, Entrepreneurship and Enterprise

The word entrepreneur literally came from French language meaning someone who undertakes an enterprise. The word enterprise is attached to self-propelled, usually self-made businessman who thinks about a venture, dreams it, starts it, works on it and grows with it.

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

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

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

Importance of Entrepreneurship

To an Individual

- (a) Provides Self Employment for the entrepreneur
- (b) Entrepreneur can provide employment for near & dear one as well
- (c) Entrepreneurship often provides an employment and livelihood for next generations as well.
- (D) Freedom to use own ideas – Innovation and creativity
- (e) Unlimited income / higher retained income – Bill Gates has risen to become richest in the world in a single life time through entrepreneurship
- (f) Independence
- (g) Satisfaction

To the nation

(a) Provides larger employment – Entrepreneurs provide employment for self as well as other people and is source of employment creation.

(B) Results in wider distribution of wealth – This is a logical sequel of above issue. Higher the employment, greater the distribution of wealth

(C) Mobilizes local resources, skills and savings

(d) Accelerates the pace of economic development – Entrepreneurship is the govt's one of the most trusted vehicles for economic development

(e) Stimulates innovation & efficiency

Functions of an Entrepreneur

An entrepreneur is expected to perform the following functions.

1. Risk Absorption

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

2. Formulate Strategic Business Decisions

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

3. Execute Managerial Functions

The entrepreneur performs the managerial functions though the managerial functions are different from entrepreneurial functions. He formulates production plans, arranges finance, purchased, raw material, provides, production facilities, organizes sales and assumes the task of personnel management. In a large establishment these management functions are delegated to the paid managerial personnel.

4. Adopt Innovation Function

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

TYPES OF ENTREPRENEURS

Entrepreneurs may be classified in a number of ways.

A. ON THE BASIS OF TYPE OF BUSINESS.

Entrepreneurs are classified into different types. They are

- 1) Business Entrepreneur:** He is an individual who discovers an idea to start a business and then builds a business to give birth to his idea.
- 2).Trading Entrepreneur:** He is an entrepreneur who undertakes trading activity i.e; buying and selling manufactured goods.
- 3) Industrial Entrepreneur:** He is an entrepreneur who undertakes manufacturing activities.
- 4) Corporate Entrepreneur:** He is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking.
- 5) Agricultural Entrepreneur:** They are entrepreneurs who undertake agricultural activities such as raising and marketing of crops, fertilizers and other inputs of agriculture. They are called agripreneurs.

B. ON THE BASIS OF USE OF TECHNOLOGY: Entrepreneurs are of the following types.

- 1) Technical Entrepreneur:** They are extremely task oriented. They are of craftsman type. They develop new and improved quality goods because of their craftsmanship. They concentrate more on production than on marketing.
- 2) Non-Technical Entrepreneur:** These entrepreneurs are not concerned with the technical aspects of the product. They develop marketing techniques and distribution strategies to promote their business. Thus they concentrate more on marketing aspects.
- 3) Professional Entrepreneur:** He is an entrepreneur who starts a business unit but does not carry on the business for long period. He sells out the running business and starts another venture.

C. ON THE BASIS OF MOTIVATION:

Entrepreneurs are of the following types:

1) Pure Entrepreneur: They believe in their own performance while undertaking business activities. They undertake business ventures for their personal satisfaction, status and ego. They are guided by the motive of profit. For example, Dhirubhai Ambani of Reliance Group.

2) Induced Entrepreneur: He is induced to take up an entrepreneurial activity with a view to avail some benefits from the government. These benefits are in the form of assistance, incentives, subsidies, concessions and infrastructures.

3) Motivated Entrepreneur: These entrepreneurs are motivated by the desire to make use of their technical and professional expertise and skills. They are motivated by the desire for self-fulfillment.

4) Spontaneous Entrepreneur: They are motivated by their desire for self-employment and to achieve or prove their excellence in job performance. They are natural entrepreneurs.

D. ON THE BASIS OF STAGES OF DEVELOPMENT: They may be classified into;

1) First Generation Entrepreneur: He is one who starts an industrial unit by means of his own innovative ideas and skills. He is essentially an innovator. He is also called new entrepreneur.

2) Modern Entrepreneur: He is an entrepreneur who undertakes those ventures which suit the modern marketing needs.

3) Classical Entrepreneur: He is one who develops a self supporting venture for the satisfaction of customers' needs. He is a stereo type or traditional entrepreneur.

E. CLASSIFICATION ON THE BASIS OF ENTREPRENEURIAL ACTIVITY: They are classified as follows:

1) Novice: A novice is someone who has started his/her first entrepreneurial venture.

2) Serial Entrepreneur: A serial entrepreneur is someone who is devoted to one venture at time but ultimately starts many. He repeatedly starts businesses and grows them to a sustainable size and then sells them off.

3) Portfolio Entrepreneurs: A portfolio entrepreneur starts and runs a number of businesses at the same time. It may be a strategy of spreading risk or it may be that the entrepreneur is simultaneously excited by a variety of opportunities.

F. CLASSIFICATION BY CLARENCE DANHOF: Clarence Danhof, On the basis of American agriculture, classified entrepreneurs in the following categories:

1) Innovative Entrepreneurs: They are generally aggressive on experimentation and cleverly put attractive possibilities into practice. An innovative entrepreneur, introduces new goods, inaugurates new methods of production, discovers new markets and reorganizes the enterprise. Innovative entrepreneurs bring about a transformation in lifestyle and are always interested in introducing innovations.

2) Adoptive Or Imitative Entrepreneurs: Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others. They copy and learn from the innovating entrepreneurs. While innovating entrepreneurs are creative, imitative entrepreneurs are adoptive.

3) Fabian Entrepreneurs: These entrepreneurs are traditionally bounded. They would be cautious. They neither introduce new changes nor adopt new methods innovated by others entrepreneurs. They are shy and lazy. They try to follow the footsteps of their predecessors. They follow old customs, traditions, sentiments etc. They take up new projects only when it is necessary to do so.

4) Drone Entrepreneurs: Drone entrepreneurs are those who refuse to adopt and use opportunities to make changes in production. They would not change the method of production already introduced. They follow the traditional method of production. They may even suffer losses but they are not ready to make changes in their existing production methods.

There is another classification of entrepreneurs. According to this, entrepreneurs may be broadly classified into commercial entrepreneurs and social entrepreneurs.

Commercial Entrepreneurs: They are those entrepreneurs who start business enterprises for their personal gain. They undertake business ventures for the purpose of generating sales and profits. Most of the entrepreneurs belong to this category.

Social Entrepreneurs: They are those who identify, evaluate and exploit opportunities that create social values and not personal wealth. Social values refer to the basic long standing needs of society. They focus on the disadvantaged sections of the society. They play the role of change agents in the society. In short, social entrepreneurs are those who start ventures not for making profits but for providing social welfare.

G) According to Area

Urban Entrepreneurs

Rural Entrepreneurs

H) According to Gender

Men Entrepreneurs

Women Entrepreneurs

COPRENEURS

Coroners are entrepreneurial couples who work together as co-owners of their business. They are creating a division of labor that is based on expertise as opposed to gender studies show that companies co-owned by spouses represent one of the fastest growing business sectors. Marcia Sherrill with her husband William Kleinberg (USA) runs Kleinberg Sherrill's, a leather goods and accessories business. She says, "There is nothing more exciting than nurturing a business and watching it grow with someone you love."

INTRAPRENEURS

The term entrepreneur was coined in USA in the late seventies. Many senior executives of big companies in America left their jobs and started small business of their own. They left the organization because they did not get any opportunity to apply their own ideas and innovative ability. These entrepreneurs become successful in their own ventures. Some of them caused a threat to the corporations they left.

Entrepreneur is a person within a large organization who takes direct responsibility for turning an idea into a profitable finished product through assertive risk taking and continued innovation.

Difference between Entrepreneurs and Intrapreneur

1. An entrepreneur is the owner of enterprise but an Intrapreneur is not the owner but a key worker.
2. An entrepreneur is independent but Intrapreneur is partially independent.
3. An entrepreneur raises finance from various sources but Intrapreneur has no responsibility to raise finance.
4. An entrepreneur bears full risks of the business but Intrapreneur bears no risks.

5. An entrepreneur is the promoter but Intrapreneur operates and develops the business only.
6. An entrepreneur plans to earn maximum profit but Intrapreneur plans to make the organization excel in all fields.

Why to start Business /Entrepreneurship

A person decides to do something either because something in that activity lures him or her takes it as option in lieu of something else, i.e., he is forced to do it by people or circumstances. The factors which lure a person to become entrepreneur are called Pull factors and the factors that compel him are called Push factors.

Pull Factors

- (a) Perception of Advantages – If a person feels that he can earn better or overall gains in terms of money. Status, security, future, etc. as an entrepreneur are better than working as an employee, he tends to turn an entrepreneur.
- (b) Spotting an Opportunity – Many employees spot a business opportunity in the course of their work and decide to exploit that opportunity rather than pass it on to their employer. Many employees buy unsuccessful businesses at throw away prices from their former employers and turn them around.
- (c) Government Policies – Govts very often formulate policies to promote certain business activity or backward areas which offer tax concessions/holidays, cash subsidies, cheap land, etc, which improve success and profit prospects.
- (d) Motivation from biographies or success stories.
- (e) Influenced by Culture, Community, Family Background, Teachers, Peers, etc. –

Push Factors

- (a) Job Dissatisfaction – Many people start their own venture because they feel dissatisfied with their existing jobs/boss/work environment.
- (b) Relocation – Repeated or especially unhappy relocation sometimes prompts some people to entrepreneurship.
- (c) Joblessness – This is the biggest source of micro level entrepreneurships. Many parents help their academically poor children, who fail to find a job, to start their own micro ventures. But success rate in such ventures is poor. The very traits responsible for their academic failure lead to business failure.

(d) Lay off – Layoffs often lower the market value of an employee to half. Thus, if a person is laid off and he is unable to find a suitable job for him, he might think of starting his own business.

(e) Retirement – Many retired, but physically and mentally fit, people start their own business either to supplement their pension/savings or just to keep themselves gainfully occupied.

(F) Boredom – This is applicable to many ladies from well to do families. With their army of servants to take care of home, they find an avenue to keep the boredom away and start ventures like boutiques, fashion designing, etc.

The fact remains that present environment provides great entrepreneurial opportunities and more and more youngsters are consciously opting for it a **as career option**.

☐ Being the boss of his own business, he enjoys unlimited powers. He can do things in his own way and he need not take orders from someone else. He can make his own decisions and action them.

☐ there *are* numerous opportunities for his self- development.

☐ working on one's own and thus getting rewards yields immense satisfaction and pleasure for more than what he can get in a job.

☐ Monetary rewards can be more than commensurate with his capacity and capabilities.

☐ He can command deference and respect of his immediate family and friends. It is a kind of intangible reward.

☐ Instead of depending on others, he generates employment for others.

☐ He can make significant contribution to the development of the country and be proud of taking part in nation building activities.

☐ He can be a great achiever realizing his goals and proving his achievements to the world. He can be recognized for his outstanding efforts.

Mind vs. Money

Entrepreneurial environment is full of challenges and the entire team is bound to face them. Now the question is what is more important, mind or money, as both are vital elements for an entrepreneur.

For established entrepreneurs, mind is more important than money as they have already invested as well as earned, and now they are in a stage of expansion. New entrepreneurs prefer money more over mind as they want to settle.

Money transforms ideas into reality. As we know ideas comes from the mind; without mind money may not be properly distributed and utilized. Money affects the economic activities whereas mind affects the activities of the firm.

Mind is the route of creative idea, idea leads to innovation. An idea shows the mission and vision whereas money shows the way to achieve that mission and vision.

How to Start a Business?

Starting a business includes planning, making key financial decisions and completing a series of legal exercises.

These 10 steps help to plan, prepare and manage one's own business:

- ☐ Step 1: Writing a business plan– Write all tools and resources required to create a business plan. This written guide will help in mapping out how to start and run a business successfully.
- ☐ Step 2: Getting business assistance– There are numerous programs available to assist startups, micro businesses, and underserved or disadvantaged groups.
- ☐ Step 3: Selecting a business location– Take suggestions on how to select a customer-friendly location and comply with the zoning laws.
- ☐ Step 4: Financing our own business– Search for government-backed loans, venture capital and research grants to help getting started.
- ☐ Step 5: Determining the legal structure of business– Decide which form of ownership is best - like sole proprietorship, partnership, limited liability Company (LLC), corporation, and S corporation, nonprofit or cooperative organization.
- ☐ Step 6: Registering a Business Name like "Doing Business As" Register the business name with the state government
- ☐ Step 7: Getting a Tax Identification Number– Learn which tax identification number is needed to obtain from the IRS and/or state revenue agency.
- ☐ Step 8: Registering for State and local Taxes– Enroll with the State to obtain a tax identification number, workers' compensation, unemployment and disability insurance.

☐ Step 9: Obtaining business licenses and permits Enlist for federal, state and local licenses and permits required for the business.

☐ Step 10: Understanding employee responsibilities– Learn the legal formalities that needs to be taken care of to hire employees.

RISKS INVOLVED WITH ENTREPRENEURSHIP

Entrepreneurship involves the following types of risks.

1) FINANCIAL RISK: The entrepreneurship has to invest money in the enterprise on the expectation of getting in return sufficient profits along with the investment. He may get attractive income or he may get only limited income. Sometimes he may incur losses.

2) PERSONAL RISK: Starting a new venture uses much of the entrepreneur's energy and time. He or she has to sacrifice the pleasures attached to family and social life.

3) CARRIER RISK: This risk may be caused by a number of reasons such as leaving a successful career to start a new business or the potential of failure causing damage to professional reputation.

4) PSYCHOLOGICAL RISK: Psychological risk is the mental agonies an entrepreneur bears while organizing and running a business venturesome entrepreneurs who have suffered financial catastrophes have been unable to bounce back.

BARRIERS TO ENTREPRENEURSHIP

Entrepreneurial development is very slow in under developed and developing countries. This is due to the presence of several factors. Gunnar Myrdal pointed out that Asian societies lack entrepreneurship not because they lack money or raw material but because of their attitudes. These barriers to entrepreneurship are classified into three as follows:

A. ENVIRONMENTAL BARRIERS

Following are the important environmental barriers to entrepreneurship:

1) Non-Availability of Raw Material: - Non-availability of raw materials especially during peak season is one of the obstacles inhibiting entrepreneurship. This leads to competition for raw material.

2) Lack of Skilled Labor: - This is the most important resource in any organization. Unfortunately, desired manpower may not be available in an organization. This is either due to the lack of skilled labor or due to lack of committed or loyal employees in the organization.

3) Lack of Good Machinery: - Good machines are required for the production of goods, because of rapid technological developments, machines become obsolete very soon. Small entrepreneurs find it difficult to get large amount of cash for installing modern machinery.

4) Lack of Infrastructure: - Lack of infrastructure facilities is a major barrier to the growth of entrepreneurship particularly in under developed and developing economies. The infrastructural facilities include land and building, adequate and cheap power, proper transportation, water and drainage facilities etc.

5) Lack of Fund: - There are various methods by which an entrepreneur arranges for funds, e.g., own savings, borrowings from friends and relatives, banks and other financial institutions. Many people do not enter into entrepreneurial activities because of lack of funds.

6) Other Environmental Barriers: - Lack of business education, Lack of motivation from government, corruption in administration, high cost of production etc. are the other environmental barriers that inhibit the growth of entrepreneurship in underdeveloped countries.

B PERSONAL BARRIERS

Personal barrier are those barriers that are caused by emotional blocks of an individual. Some of the personal barriers may be outlined as below:

1) Unwillingness to Invest Money: - Even though people have money, still they do not come in entrepreneurship. They are not willing to take the risk of investing money in business.

2) Lack of Confidence: - Many people think that they lack what it takes to become an entrepreneur. They feel that they could not master all the skills. Thus most people are reluctant to become entrepreneurs.

3) Lack of Motivation: - When an individual starts a new venture, he is filled with enthusiasm and drive to achieve success. But when he faces the challenges of real business or bears loss, or his ideas don't work, he loses interest or motivation

4) Lack of Patience: - The desire to achieve success in the first attempt or to become rich very soon is the prime motivating factor of modern youth. When such dreams do not come true, they lose interest. This gradually drives to fail in business.

5) Inability to Dream: - Entrepreneurs, who are short on vision or become satisfied with what they achieve, sometimes lose interest in further expansion/growth of business.

C SOCIAL BARRIERS

The social attitude inhibits many people even from thinking of starting a business. The important social barriers are as follows.

1) Low Status: - The society thinks that entrepreneurs are the people who exploit the society. Thus the attitude of the society towards entrepreneurs is not positive.

2) Custom and Tradition of People: - Most people want a real job. Even parents who are entrepreneurs wouldn't like their children to be entrepreneurs. Thus lack of support from society and family hinder the growth of entrepreneurs.

Skills and Traits of an Entrepreneur

In order to organize and run a business successfully, an entrepreneur must possess certain traits important for driving success. Some of them are:

☒ Self-confidence: Others will trust you only when you trust yourself. This is the most important trait of an entrepreneur, who should have the confidence to take one's own decisions.

☒ Risk-taking ability: Business is all about taking risks and experimenting. Entrepreneurs need to have risk-taking ability.

☒ Decision-making ability: Entrepreneurs should have the willingness and capability to take decisions in favor of the organization all the time.

☒ Competitive: Entrepreneurs should always be ready to give and face competition.

☒ Intelligent: Entrepreneurs always need to keep their mind active and increase their IQ and knowledge.

☒ Visualization: Entrepreneurs should have the ability to see things from different point of views.

☒ Patience: This is another virtue which is very important for entrepreneurship as the path to success is often very challenging and it requires a lot of patience for sustenance.

☒ Emotional tolerance: The ability to balance professional and personal life and not mixing the two is another important trait of an entrepreneur.

☒ Leadership quality: Entrepreneurs should be able to lead, control and motivate the mass.

☒ Technical skill: To be in stride with the recent times, entrepreneurs should at least have a basic knowledge about the technologies that are to be used.

- ☐ Managerial skill: Entrepreneurs should have the required skill to manage different people such as clients, employees, co-workers, competitors, etc.
- ☐ Conflict resolution skill: Entrepreneurs should be able to resolve any type of dispute.
- ☐ Organizing skill: They should be highly organized and should be able to maintain everything in a format and style.
- ☐ High motivation: Entrepreneurs should have high level of motivation. They should be able to encourage everyone to give their level best.
- ☐ Creative: They should be innovative and invite new creative ideas from others as well.
- ☐ Reality oriented: They should be practical and have rational thinking.

Qualities of an Entrepreneur

Confidence to Delegate Tasks

An entrepreneur should be confident to delegate tasks to an experienced member of the company, who has the ability to get tasks completed.

Effective Time Management

Proper time management is necessary to differentiate between the extremely urgent tasks and those that can wait. An entrepreneur should use a notebook or whiteboard to prioritize tasks by writing them down.

Visualizing Aim and Success

Entrepreneurs need to visualize their goals and success in their mind first, if they wish to plan on making it a reality. Not only do they need to visualize the end result, but also every step that it is required to get there.

Proper Listening and Communicating Well

Entrepreneurs need to be good at listening and communicating. If they lack this quality then this may result in miscommunication and wastage of time. Apart from this, extra work is required to correct the miscommunication.

Determinants of Entrepreneurial Success or Failure

Being a successful entrepreneur means more than just starting a new business every other day. It means the right attitude towards the trade and the determination, along with the barriers to be faced to achieve success.

To an entrepreneur, failure is a positive experience which is considered as a challenge or opportunity for growth in the form of a prerequisite to success, a profound teacher, a future value-adder, a provider of new direction, an enhanced motivator, a path to achievement and even as a relieving liberator.

Failure and success of an enterprise is dependent on two factors:

☐ Internal factors

☐ External factors

Internal Factors for Success

Factors that affect the organization internally and contribute to the success of the firm are known as internal factors of success. These factors include efficient management, good quality product, quality goods & services, good reputation, low cost production, effective marketing, proper financing, dedicated manpower, proper technology, and proper time management.

External Factors for Success

Factors that affect the organization externally and contribute to the success of the firm are known as external factors of success. These factors include availability of appropriate raw material, quality manpower, and high demand in the market, government policy, low competition, and new market.

Internal Factors for Failure

Factors that affect the organization internally and contribute to the failure of the firm are known as internal factors of failure. These factors include ineffective management, old technology, poor financing, ineffective marketing strategies, low quality of raw materials, low human relations, and poor leadership.

External Factors for Failure

Factors that affect the organization externally and are responsible for failure of the firm are known as external factors of failure. These factors include shortage of raw material, shortage of power, and shortage of manpower, poor finance, change in technology, high competition, negative government policies, and increase in supply and availability of better substitute.

Entrepreneurship and Management Students

1. A Management Graduate is a person trained in necessary skills and knowledge to manage an enterprise.

2. A Management Graduate is best placed to be an entrepreneur. With his knowledge of business domain, his chances of launching a successful entrepreneurial venture are much higher than anyone else. It will benefit the Management Graduate as well as the country.
3. Experience even from Harvard Business School confirms that more Management Graduates take Entrepreneurial Role (after gaining some experience) and the average income of entrepreneurs is higher by almost 2.5 times compared to their friends who are in job.
4. A Management Graduate should therefore not be just a Job Seeker. He can and should take the role of Job Provider.
5. Enterprises in protected economy can sustain mismanagement because the markets are assured under quota and license raj. In the ensuing monopoly or monopolistic market, there is a demand supply mismatch and therefore profit margins are high. Therefore, there is enough resilience to sustain errors and consequential losses in an entrepreneurial venture once the license was obtained.
6. Enterprises in competitive environment are essentially to be well managed. In the resulting perfect or near perfect market, profits are thin and any losses due to errors cannot be passed on to the consumer. Therefore, entrepreneurial ventures have to be well managed.
7. Even in his employment in a company, he needs to become an INTRAPRENEUR in order to deliver maximum to his employer and increase his own stock in return.
8. Therefore, either way, Entrepreneurship Management becomes an essential part of curriculum of management studies.

Entrepreneurship and Economic Development

Entrepreneurial spirit of people is greatly responsible for economic development of any country.

(a) Entrepreneurs set up enterprises which provide employment not only to themselves but too many others directly and indirectly and thereby put into utilization Human Resource of the country.

(b) Entrepreneurs combine resources, put their time and efforts and produce goods or services. The Value Addition that they do to the resources brings prosperity to the country.

(c) What they contribute – productivity, output, value addition, income and employment

(d) Entrepreneurship is a “Low Cost Strategy”. An entrepreneur works with maximum financial efficiency in order to maximize his profits...

- (e) The spirit of Entrepreneurship – Drive, achieving higher goals, creativity, innovative attitude.
- (f) A dynamic society emerges and the spirit spreads like a chain reaction –

Many entrepreneurs have proved to be catalyst for growth of a bevy of smaller entrepreneurs. Jamshedpur was a small town before Tata Steel Plant was set up. Once the plant came up in the place, many people set up their small enterprises to cater to the needs of the growing population.

Entrepreneurial Motivation

Motivation is one of the fundamental factors required for an entrepreneur to promote his/her ideas because

- ☒ Tough competition: An entrepreneur needs to face tough competition, in order to sustain and make a mark in this global market. To cope with this competition, motivation is required at each stage of the firm.
- ☒ Unfavorable environment: Nobody knows what the future holds. One has to take care of the current economy and should be prepared for the worst situations of deteriorating economic conditions. For this, motivation and optimism is essential.
- ☒ To create public demand: Market runs by the people and for the people. To run a business profitably, it is required to create a public demand for your product or service in the market and attract as many customers as possible. To do this in the right way, motivation is required.
- ☒ To enhance creativity: Market always wants something new and different. If every firm offers the same product without any variation then there is no point of preferring one brand in particular. To sustain one has to be innovative. Add some new features in the existing products and services make them more user friendly in a considerable budget. This requires motivation too.
- ☒ To increase productivity: It is very important to take care of the quality of the product as well as the profit. People will always prefer a product which is cost efficient and of good quality. So, motivation is required for increase the productivity.

Thus motivation plays a unique role in establishing a company by frequently boosting the entrepreneur to do effective things efficiently.

What Motivates an Entrepreneur?

The 6Cs that motivate entrepreneurs to establish their own business are as follows:

☒ Change– Entrepreneurs frequently want change, not only change, they also want to be the bearers of change. They are solution givers and want to interrupt the status quo. They have a vision like "I want to assemble the world's information" or "I want to put an AC at every desk" and they take an attempt to make this change. In this attempt, some succeed and some fail.

☒ Challenge– Some people love challenges and they opt for starting a new business as it is very challenging to handle big problems. These people find typical job in a big corporate as boring and not challenging enough.

☒ Creativity– Running one's own business is all about being more creative and having the independence to make new discoveries. For example, testing a new website design, launching a new marketing scheme, creating inventive items that solve a known issue in a different way, creating new advertising campaigns, etc. One needs to have an infinite room to welcome and introduce creativity in a small business.

☒ Control– Some people tend to start a business because they don't want to be pushed around and work for a product/company in which they have no way to shape their destiny. They want to be their own boss having their own time, own pace, location of their choice, employees of their choice and have a progressive role in deciding the direction of the company.

☒ Curiosity Successful entrepreneurs are always anxious and ask - "what if we do X this way?" They want to have more than one option to do a work and choose the best one from them. They want to understand the customer's perceptions, point of views, markets and competitors. They are frequently anxious to see how their particular theory like "people want to do A with B" works. In this aspect, they can't be differentiated from a scientist who is trying to prove his theorem.

☒ Cash– The last but not the least part is the cash. Money says it all. Many non-entrepreneurs have a misconception that cash comes first for entrepreneurs but this is never really true. If this would be the case, then there is no reason for an Ellison or Gates to keep expanding their business aggressively after they have made more than billion dollars. However, money is not the primary motivation.

Results of Motivation

Successful entrepreneurship needs determination, freedom, discipline, connectivity and an abundance of skills in planning. People with a complete package of physical strength combined with perseverance, mental strength, and self-discipline have the passion and urge to succeed. With proper motivation, we get the following outcomes:

☐ Heavy industrialization: Tremendous growth can be seen in industrialization. Example: Companies like TISCO, TELCO have been set up and are flourishing.

☐ Self-employment: A common man gets a chance to make a difference, set a new standard of industrial growth. Example: Entrepreneurs like Dhirubhai Ambani and Azim Premji are born.

☐ Economic growth: When there is growth in an individual's economy, there is a growth in the company's economy, which in turn results in the growth of that particular area and country. Example: Emergence of smart cities concept.

☐ Creating new jobs: More entrepreneurship leads to more job openings. More job openings lead to more employment opportunities.

☐ Proper social benefit: When a country's economy grows or increases we see that more advanced and proper social benefits are provided to the general public like construction of roads, school, hospital, colleges, etc.

Entrepreneurial Achievement

What the entrepreneurs have achieved in the society has not been achieved by any one. Their achievement is very fast in majority of the cases. Because of the entrepreneurs and their entrepreneurial skills their enterprises have achieved national and international fame. A large number of people and also the country depend on him. Entrepreneurs have achieved the top most status in the country both economically and socially.

Entrepreneurial Personality

There are 9 key types of personality and understanding each will help the business more. This entrepreneur personality profile is based on the 9-point circle of the Enneagram.

The 9 Personality Types of Entrepreneurs

1. The Improver: If you operate your business predominately in the improver mode, you are focused on using your company as a means to improve the world. Your overarching motto is: morally correct companies will be rewarded working on a noble cause. Improvers have an unwavering ability to run their business with high integrity and ethics.

Personality Alert: Be aware of your tendency to be a perfectionist and over-critical of employees and customers.

Entrepreneur example: Anita Roddick, Founder of The Body Shop.

2. The Advisor: This business personality type will provide an extremely high level of assistance and advice to customers. The advisor's motto is: the customer is right and we must do everything to please them. Companies built by advisors become customer focused.

Personality Alert: Advisors can become totally focused on the needs of their business and customers that they may ignore their own needs and ultimately burn out.

Entrepreneur example: John W. Nordstrom, Founder Nordstrom.

3. The Superstar: Here the business is centered around the charisma and high energy of the Superstore. This personality often will cause you to build your business around your own personal brand.

Personality Alert: Can be too competitive and workaholics.

Entrepreneur example: Donald Trump, CEO of Trump Hotels & Casino Resorts.

4. The Artist: This business personality is the reserved but highly creative type. Often found in businesses demanding creativity such as web design and ad agencies. As an artist type you'll tend to build your business around the unique talents and creativities you have.

Personality Alert: You may be overly sensitive to your customer's responses even if the feedback is constructive. Let go the negative self-image.

5. The Visionary: A business built by a Visionary will often be based on the future vision and thoughts of the founder. You will have a high degree of curiosity to understand the world around you and will set-up plans to avoid the landmines.

Personality Alert: Visionaries can be too focused on the dream with little focus on reality. Action must precede vision. Entrepreneurial example: Bill Gates, Founder of Microsoft Inc.

6. The Analyst: If you run a business as an Analyst, your company is focus on fixing problems in a systematic way. Often the basis for science, engineering or computer firms, Analyst companies excel at problem solving.

Personality Alert: Be aware of analysis paralysis. Work on trusting others.

Entrepreneurial example: Intel Founder, Gordon Moore.

7. The Fireball: A business owned and operated by a Fireball is full of life, energy and optimism.

Your company is life-energizing and makes customers feel the company has a get it done attitude in a fun playful manner.

Personality Alert: You may over commit your teams and act to impulsively. Balance your impulsiveness with business planning.

Entrepreneurial example: Malcolm Forbes, Publisher, Forbes Magazine.

8. The Hero: You have an incredible will and ability to lead the world and your business through any challenge. You are the essence of entrepreneurship and can assemble great companies.

Personality Alert: Over promising and using force full tactics to get your way will not work long term. To be successful, trust your leadership skills to help others find their way.

Entrepreneurial example: Jack Welch, CEO GE.

9. 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. Personality Alert: Because of your caring, healing attitude toward your business, you may avoid outside realities and use wishful thinking. Use scenario planning to prepare for turmoil.

Industrial Sickness

DEFINITION

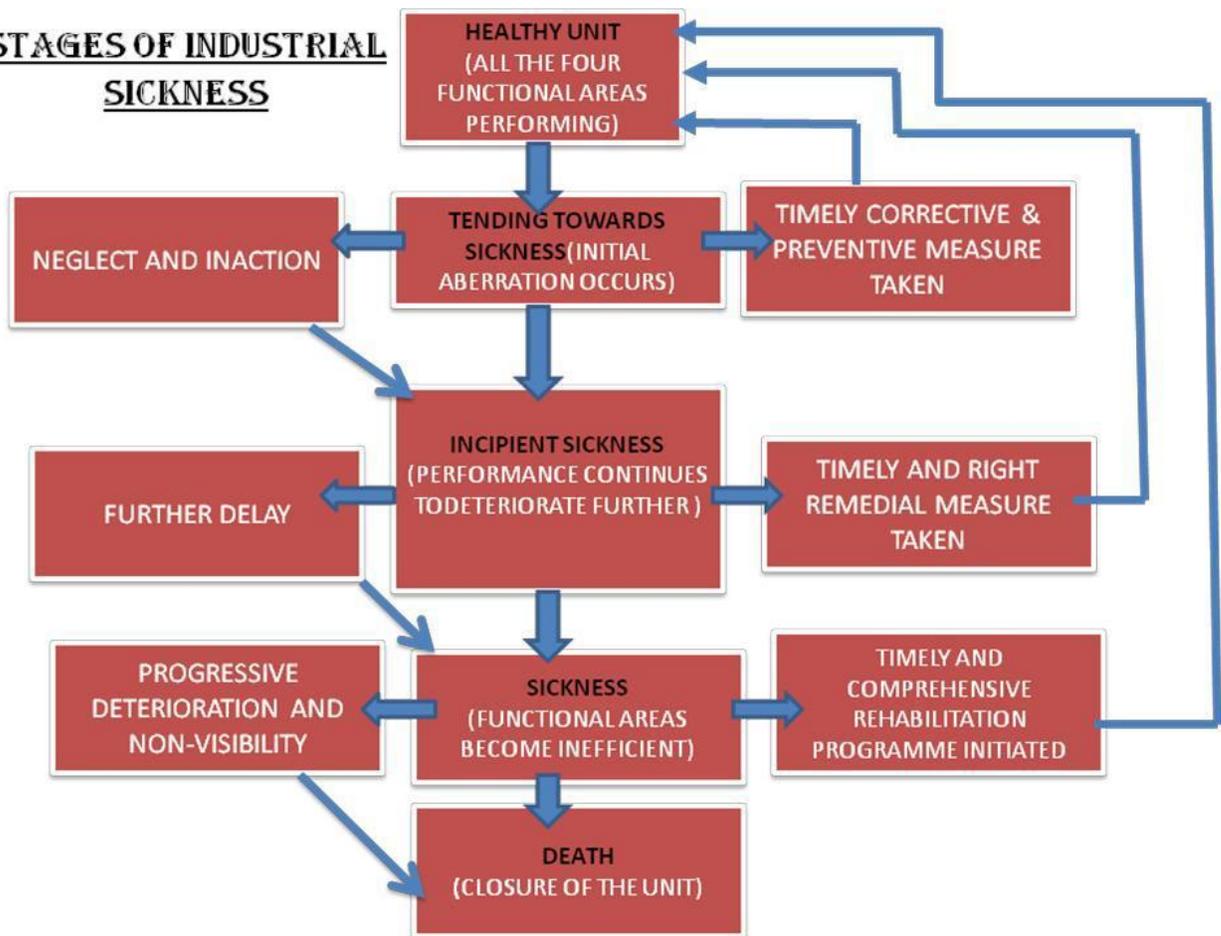
BY SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985, SEC 3(1) (0)“Industrial company (being a company registered for not less than five years) which has at the end of any financial year accumulated loss equal to or exceeding its entire net worth and which has also suffered cash losses in such a financial year immediately preceding such financial year”.

BY THE COMPANIES (SECOND AMENDMENT) ACT, 2002

Defines a sick company as one:

- ☐ Which has accumulated losses in any financial year to 50 percent or more of its average net worth during four years immediately preceding the financial year in question, or
- ☐ Which has failed to repay its debts within any three consecutive quarters on demand for repayment by its creditors.

STAGES OF INDUSTRIAL SICKNESS



CRITERIA TO IDENTIFY INDUSTRIAL SICKNESS

- ☒ Continuous decline in gross output compared to the previous two financial years.
- ☒ Delays in repayment of institutional loan, for more than 12 months.
- ☒ Erosion in the net worth to the extent of 50 percent of the net worth during the previous accounting year.

Causes of Sickness

There is wide variety of causes that can lead to industrial sickness. Some are internal to the company, some external, some controllable and other uncontrollable. We can categorize them into following groups -

1. Personal (Owner)

- (a) Lack of Integrated Knowledge/Training
- (b) Incompatible Personalities
- (c) Health
- (d) Shift in attitude
- (e) Succession

2. Management

- (a) Dispute between Owners
- (b) Wrong Choice of Product/Location
- (c) Team Building
- (d) Planning
- (e) Management Information Systems
- (f) Inability to Manage Growth

3. HR issues

- (a) Faulty Recruitment
- (b) Wage Structure
- (c) Industrial Relations - Strikes

(d) Low Productivity

4. Operational issues

(a) Technology obsolescence

(b) Quality up gradation

(c) Production Management

(i) Plant layout

(ii) Quality

(iii) Capacity utilization

(iv) Inventory

(v) Maintenance

(vi) Environment

(vii) Waste etc

5. Financial

(a) Capital structure

(b) Capacity to bring capital

(c) Poor resources management

(d) Costing/pricing policy

(e) Over-dependence on concessions & subsidies

(f) Diversion of capital

(g) Over-trading

(h) Unfavorable gearing

(i) Lack of tax planning

6. Marketing

(a) Over-dependence on a single customer

- (b) Marketing myopia
- (c) Sales & distribution set-up
- (d) Market feedback/ research
- (e) Marketing strategies

7. Government

- (a) Changing policies
- (b) Scale of economy
- (c) Controls
- (d) Fiscal policies
- (e) Role as facilitator

Remedial measures for sick industries

1. Effective planning
2. Proper technology
3. Training and development
4. Regular supply of raw material
5. Adequate credit arrangement
6. Effective market arrangements
7. Proper management of employees
8. Proper watch on competitors and action plan

Governmental measures to combat industrial sickness

1. The Industrial Finance Corporation of India (IFCI) in 1948 - to provide medium & long-term credits to the public sector limited companies in order to facilitate post-war rehabilitation & development.
2. The State Financial Corporation's (SFC) were established at state level in 1951 to supplement the work office by financing medium and small-scale industrial concerns.
3. Industrial Reconstruction Corporation of India or (IRCI) was set up with its head quarters at Calcutta in 1971
 - To revive and revitalize the closed and sick industrial concerns by removing the shortcomings.

- To reconstruct and restructure the financial base as well as the management of the assisted units, besides providing financial assistance and technical/managerial guidance.

The control measures adopted by IRCI included:

- i. transfer of major shares in the name of IRCI;
- ii. Appointment of IRCI nominees in the Board of Directors of the sick unit;
- iii. appointment of personnel and nominees in key managerial post and purchase/sales committees;
- iv. frequent plant and factory inspections and so on.

4. Industries (Development & Regulation) Act, 1951 was further amended in 1971 – empowering the Central Government to take over industrial undertakings which special emphasis on sick units.

5. By Amendments in the relevant Act the IFCI with effect from 1972 was empowered to extend its assistance to Pvt Ltd Cos.

6 Foreign Exchange Regulation Act (FERA) 1973 – limited the share of foreign companies to 40% of the total capital.

7. The Reserve Bank of India set up Tandon Committee, in 1975- guideline was laid down governing the participation of banks in the management of various sick industries.

8. The RBI in 1979 conducted a study to identify the causes of sickness in 378 such large industrial units

9. Further the government came up with several industrial policies in order to revive the sick units. These policies were:

i. Soft loan scheme-

- introduced in 1976 to provide financial assistance to five selected industries (jute, cotton, cement, textile and sugar) on concessional terms for modernization & rehabilitation of their old machineries.

- Was being operated by the IDBI in collaboration with IFCI & ICICI.

- In 1984 this scheme was modified into soft loan scheme for modernization – all categories of industries are eligible for financial assistance for up gradation of

process/technologies/product, export orientation/import substitution, energy saving, anti-pollution measures and improvement in productivity.

ii. Merger policy of 1977 –

- For merger of sick units with the healthy ones
- Healthy was allowed to carry forward and set off the accumulated losses & unabsorbed depreciation of the sick unit against its own tax incidence.
- Sick units to be eligible for merger should have >100 employees & assets worth >50 lakh.

Governmental measures to combat industrial sickness

iii. Policy guidelines on sick units-1978

- Made it clear that financial institutes should involve themselves in the management of the sick units in which they have substantial stake by setting up group of professional directors to look after the management of these units.
- These directors will be nominated to the board of the sick units and they will be required to report to the financial institutes regularly regarding the various measures required to be incorporated.
- Further the respective state government in collaboration with the financial institutes should provide financial & managerial assistance for the restructuring and rehabilitation of the sick units.

iv. New strategy 1981-

- Aimed at preventing industrial sickness, quick rehabilitation, & early decisions on the future of such units.
- Units employing >1000 employees of having an investment of 9 crore or more should be

Nationalized if

☐ The line of production is critical to the nation's economy

☐ it's a mother unit with large ancillaries

☐ Its closure would cause dislocation and unemployment of such a large number of people

That allocation of alternative jobs is not possible.

v. Different committees and industrial sickness-

Government has from time to time formulated several committees like the Standing Committee on Industrial Sickness, State Level Inter-Institutional Committee, Guidance Committee & others to examine the problems of growing industrial Sickness

vi. Legal framework-

Various provisions for the revival of the sick industries were introduced like The Relief Undertaking Act, Sec 72(a) Of The Income Tax Act, IRBI Act Of 1984, SICA 1985, and others.

The important provisions of SICA were:-

- ☐ It provided for the constitution of two quasijudicial bodies, that is, Board for Industrial and Financial Reconstruction (BIFR) and Appellate Authority for Industrial and Financial Reconstruction (AAIFR).
- ☐ BIFR was set up as an apex board to tackle industrial sickness and was entrusted with the work of taking appropriate measures for revival and rehabilitation of potentially sick undertakings and for liquidation of non-viable companies.
- ☐ AAIFR was constituted for hearing the appeals against the orders of the BIFR.
- ☐ BIFR would make an inquiry as it may deem fit for determining whether any industrial company had become sick.
- ☐ BIFR may appoint one or more persons as special director(s) of the company for safeguarding the financial and other interests of the company.

The measures include:-

- ☐ The financial reconstruction
- ☐ The proper management by change in takeover of the management of the company;
- ☐ The amalgamation of the sick industries
- ☐ The sale or lease of a part or whole of the sick industrial company;
- ☐ Such other preventive, ameliorative and remedial measures as may be appropriate;
- ☐ Such incidental, consequential or supplemental measures as may be necessary or expedient in connection with or for the purposes of the measures specified above.

The important provisions of SICA were:-

☒ Under the Act, whosoever violates its provisions or any scheme or any order of the Board or of the Appellate Authority, shall be punishable with imprisonment for a term which may extend to three years and shall also be liable to a fine.

☒ Sick Industrial Companies (Special Provisions) Act,1985 (SICA) was repealed and replaced by Sick Industrial Companies (Special Provisions) Repeal Act,2003.

☒ The new Act diluted some of the provisions of SICA & aimed to combat industrial sickness, reduce the same by ensuring that companies do not view declaration of sickness as an escapist route from legal provisions after the failure of the project or similar other reasons and thereby gain access to various benefits or concessions from financial institutions.

☒ under it, the Board for Industrial and Financial Reconstruction (BIFR) and Appellate Authority for Industrial and Financial Reconstruction (AAIFR) were dissolved and replaced by National Company Law Tribunal (NCLT) and National Law Appellate Tribunal (NCLAT) respectively.

RBI guide lines...

- RBI has constituted a standing coordination committee to consider issues relating to coordination between commercial banks and lending institutions.
- A special cell has been set up within the rehabilitation finance division of IDBI to attend the case of sickness.
- RBI has issued suitable guidelines to the banks to ensure the potentially viable sick units receive attention and timely support from banks.
- RBI has clarified that units becoming sick on account of willful mis-management, willful default should not be considered for rehabilitation.

Rehabilitation Programme:

- a) Change management
- b) Development of a suitable management information system
- c) A settlement with the creditors for payment of their dues in a phased manner, taking into account the expected cash generation as per viability study
- d) Determination of the sources of additional funds needed to refinance.
- e) Modernization of plant and equipment or expansion of an existing programme or even

Diversification of the products being manufactured.

f) Concession or reliefs or assistance to be allowed by the state level corporation, financial Institutions and central government.

MODULE ---2

Entrepreneurial Environment

Classification of Environment

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

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

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

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

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

Internal Factors

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

Strong desire of entrepreneurs to do something independently in life.

Technical know-how or manufacturing experiences acquired by them.

Business experience in the same or related line.

Family background including size, type and economic status of family.

Occupational origins of the entrepreneurs. .

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

Success stories of entrepreneurs

Previous experience in manufacturing

Previous employment in industry

Property inherited

Property acquired

Encouragement of family members

Encouragement of friends and relatives

Acquire or inherited technical and professional skill

External Environment

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

Economic Environment

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

Legal Environment

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

Political Environment

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

Socio-Cultural Environment

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

The external environmental factors are:

Financial assistance from institutional sources.

Accommodation in industrial estates.

Provision of consultancy to services on technical

Market and financial aspects.

Provision of subsidies of different kinds.

Arranging the institutional support for marketing the products/ services.

Attitude of the Government to help new units.

Encouraging the co-ordination between larger and smaller firms.

Providing necessary infrastructural facilities continuously.

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

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

Changes in governmental policy

Political instability or hostile government attitude

Improper co-ordination among different government agencies. Undue delay and corruption in giving concurrences for various purposes

Poor-infrastructural facilities such as supply of power, materials, finance etc.

Rise in cost of inputs.

Unfavorable market fluctuations etc.

Before starting an enterprise, some factors which should be taken care of are:

- ☐ Identification of business opportunity.
- ☐ Preparation of project.
- ☐ Selecting a business opportunity.
- ☐ Assessing the viability (technical, operational, financial marketing) of the project.
- ☐ Deciding the location for production, offices etc.
- ☐ Deciding the size of the project.
- ☐ Deciding the source of finance.
- ☐ Deciding about marketing.
- ☐ Deciding the launching of the project.
- ☐ Deciding the plan, program & policy, strategy of the project.

Identification of business Opportunities

Identifying the right product is the first step to success for any entrepreneur. Right kind of product for which there is an unfulfilled demand will ensure minimum expenditure on sales promotion as well as higher sale price.

Entrepreneurial success is about identifying human and social needs; overt, covert, apparent or even dormant and finding products to meet them. In order to identify the opportunities, it is necessary to scan the customers' environment for identifying the unfulfilled needs opportunities.

There are sometimes gaps between demand and supply (Apparent/Overt Demand) which can be exploited by an entrepreneur. But such occasions are few and far in between. Such opportunities do not last long. They are lapped up by the existing players before an

entrepreneur can move in. Entrepreneur's opportunity lies in coming up with a better product or same/substitute product at cheaper price.

But the better option for entrepreneurs is to scan the customer's environment for identifying the dormant/hidden demand. Take the case of Nirma washing powder. There was always a demand for washing powder among the lower income segment of the society for the convenience it offered compared to soaps. However, the demand was hidden behind the high cost of washing powders available then. Nirma launched the washing power at low cost (even though the quality was far inferior to Surf and other washing powders) and succeeded.

Similarly, there was always a demand for Hair Shampoo. But it was again hidden behind high cost of shampoo bottles which were beyond the reach of middle and lower income group households. The strategy to launch Re 1 sachets brought the shampoo within purchasing power of relatively poor households. Today, there is a hidden demand for liquid soap among the middle class homes which is hidden behind the high cost (Rs 50 -75 for a 250 ml bottle) of liquid soap and dispensers. If someone can tap this demand, there is a windfall waiting for him.

But this exercise of product identification is easier said than done and requires enormous amount of creativity and energy.–

Product Identification Process

- Idea Generation
- Search & Screen
- Evaluation

1. Idea Generation

Product Idea can be generated in a number of ways. They are as follows –

- (a) Observations
- (b) Foreign publications (import of ideas from products launched overseas)
- (c) Brainstorming sessions
- (d) Talking to various bodies like SISI, SIDC, The national small IndustriesCorp. Ltd. & The National Institute for Entrepreneurship & Small Business Development
- (e) Talking to large scale pvt/public co. can also generate ideas

2. Product Search & screening

After we come up with product ideas, we look at products presently available & products related to those products ideas. Then pose the exploratory questions –

- (a) Are customers satisfied with what they are getting?
- (b) Can we identify a better method of production?
- (c) Can the basic design be changed?
- (d) What is the present demand, future demand likely to be & so on?
- (e) What are the skills?
- (f) Can I handle the technical aspects?
- (g) If not, is the expertise available for hire easily?
- (h) Does the product idea generated match my competencies or do I have to develop new competencies?
- (i) How much knowledge do I have about the market for this product?
- (j) Can I dig more info easily?

3. Evaluation

As a prospective entrepreneur one should know the bent of mind one has by asking the following questions: -

- (a) Am I comfortable in a room full of strangers?
- (b) Can I deal efficiently with people in position of power?
- (c) Can I communicate efficiently & freely with people?

If yes, marketing is the strong area. Or, may be one has a head for figures and details. Then finance may be the area of strength. One could be interested in mechanical & technical matter with flair for conceptualizing & design. Then production or product design can be the areas of strength.

Product Evaluation Techniques

Once the products have been short-listed through exploratory questions and own SWOT analysis, these items are required to be critically evaluated for their success potential. This evaluation is carried on the following factors –

- Growth potential for the product
- Stability of demand
- Marketability – Some products have unshakable hold of existing players. In the shock absorbers and spark plugs business, it is difficult to replace existing players like Mico, Bosch, TVS, etc, as OEM suppliers.
- Company Position – Does company have any past record in the field?
- Production Capabilities – Can the existing production plants be utilized to produce the product or new facilities are required to be built?

Business opportunities in various sectors

Manufacturing sector

Agriculture sector

Service sector

Trading sector

Technology sector

Converting Business Opportunities into reality.

A business opportunity has six components.

1. Assurance of an attractive marketing scope

Determination of assured market scope or good market potential must take into account the demand and supply position of the position of the product. If the demand is more than the supply then it is **positive gap**. In this condition market scope is good.

2. Attractive rate of return on investment

ROI means the percentage of earning of the entrepreneur in relation to the amount of investment to be made. If **ROI** is not attractive even the market scope is good, then it is not feasible.

3. Feasibility of the idea

Sometimes the idea may be attractive but the conditions are not conducive to start the implementation.

4. Competence of the entrepreneur

The entrepreneur needs certain skills, knowledge, ideas, talent, ideas otherwise he has to depend on others in every matter which may be a hurdle in success.

5. Assurance for future growth

Entrepreneur can start an enterprise if future is bright.

6. Social desirability

The business proposal should not be harmful to the society and should not invite social protest.

Setting up a Small Enterprise.

Entrepreneurial process can be defined as the steps taken in order to establish a new enterprise. It is a step-by-step method; one has to follow to set up an enterprise.

There are mainly five steps one needs to follow. These steps are:

- ☐ Preliminary steps
- ☐ Decision-making steps
- ☐ Planning steps
- ☐ Implementation steps
- ☐ Managerial steps

Preliminary Steps

Preliminary steps are the initial steps one has to follow for establishing a firm. At this stage, the to-be entrepreneur should be able to make a decision that is going to affect the company.

We can say that an entrepreneur is born at this stage. An entrepreneur searches for business opportunity and collects information/data from all sources available.

Decision-making Steps

Decision-making steps can be defined as those steps or say the lessons learnt by an entrepreneur to make decisions efficiently.

In this step, the entrepreneur is seen consulting with DIC (District Industrial Centre) and MSME (Medium Small & Micro Enterprise). Some of the decisions to be taken are:

- ☐ Decision of acquiring fund from banks or financial institutions.
- ☐ Acquisition of permission, recognition, application.
- ☐ Making of PPR (Preliminary Project Report).
- ☐ Decision regarding land, building, plant, machinery, labor, raw material, fuel, energy, water supply, filtration, etc.

In order to make effective decisions that are adaptable and comfortable for the company, the clients and all those who are directly or indirectly linked to the decision-making step play a very vital role.

Planning Steps

Planning is an assumption or prediction of business requirements and outcome in the future. It provides a space to review the best strategy to run the business by cutting expenses and maximizing profit.

Some of the planning steps include:

- ☐ planning for infrastructure like plant and building.
- ☐ Getting permission and recognition from the government or any other reputed authority.
- ☐ applying for environmental clearance.
- ☐ Purchasing of land and licensing of mines, if necessary.
- ☐ Applying for electric connection and water supply.
- ☐ Planning the final feasibility, technical feasibility, and operational feasibility.
- ☐ Study of PPR and preparation of Detailed Project Report (DPR).
- ☐ Getting loan and/or capital investment.
- ☐ Acquisition of machineries and planning for installation.

Implementation Steps

Implementation is the execution of plan; it is the action taken to implement the plan so that something actual happens.

Given below are some steps that will help us get a clear picture of how actions in planning steps are groomed into implementation steps:

- ☐ Acquisition of land, setting up building, and purchasing raw materials.
- ☐ Installation of plant and machineries, and arranging human resource.
- ☐ Receiving permission and reorganization letter, and receiving capital investment.
- ☐ Starting operation and production.
- ☐ Arranging fuel, electricity, and water supply.
- ☐ Making infrastructural development, i.e. road, hospital, school, residence, etc.

Implementation is the most important and difficult step, during implementation the actual come to figure and something of real value is generated.

Managerial Steps

We have seen about the roles and duties of an entrepreneur. Managerial duties are also very important for an entrepreneur as well as the organization. Some of the managerial duties to be taken care of are:

- ☐ Preparing market policy and strategy.
- ☐ Managing promotion of product or services.
- ☐ Formulating pricing policy.
- ☐ Managing wholesalers and retailers.
- ☐ Deciding the profit margin.

☐ Managng marketing strategy, managing advertisement of product or service, managing distribution system for efficient distribution.

☐ Warehouse management.

STEPS FOR STARTING A SSI

1. SWOT Analysis
 - (a) YOU – Strengths & Weaknesses
 - (b) Your Business – Opportunities & Threats
2. Environmental Scanning
3. Product Selection
4. Market Survey
5. Preparation of Project Report
6. Form of Ownership
7. Route to Start –
 - (a) Franchising
 - (b) Ancillarizing
 - (c) Acquisitioning
 - (d) Building from Scratch
8. Finance
9. Man Power
10. Site Location
11. Provisional Registration
12. Licenses & Approvals
13. Power Connection
14. Machinery – Procurement& Installation
15. Recruitment
16. Raw Materials Procurement
17. Trial Production
18. Marketing
19. Quality Assurance
20. Monitoring
21. Permanent Registration

STEPS FOR STARTING SSIs/MSMEs

As soon as a person decides to become an entrepreneur and to start a MSME, he is required to take a number of steps and formalities one after the other. They are as follows:

1) Scanning of Business Environment: it is essential on the part of the entrepreneur to Study and understand the prevailing business environment. Entrepreneur should scan the business opportunities and threats in the new environment. To study the

administrative framework, procedure, rules and regulations and other formalities implemented by the government. The potential entrepreneur must assess his own deficiencies, which he can compensate through training.

2) Selection of the Product: The very success of one's venture will depend on the Rationality of his decision in this regard. The economic viability of the product can be ascertained by considering certain demand aspects such as volume of demand in the domestic market, volume of demand in the export market, volume of potential demand, a degree of substitution of an existing product etc. The prospective entrepreneur has to identify the product based on market research or market survey.

3) Selection of Form of Ownership: He has to select sole proprietorship or family Ownership or partnership or private limited company as the form of the ownership.

4) Selection of Location and Site: Location is selected after considering certain factors such as nearness to market, sources of material and labour, modern infrastructure facilities etc. The entrepreneur has to choose a suitable plot for the factory. He may purchase land directly or choose from an industrial area developed by State Development Corporations like SIDCO, or Directorate of Industries. In order to stimulate industrial growth, the government of Odisha is providing infrastructural assistance by way of

- (1). Developing areas.
- (2). Development Plots.
- (3). Industrial estates, and
- (4). Mini industrial units.

5) Designing Capital Structure: Apart from the own capital, he may secure finance from friends and relatives, term loans from banks and financial institutions.

6) Acquiring Manufacturing Know-How or Technology: Many institutions of government, research laboratories, research and development divisions of big industries and certain consultancy agencies provide the manufacturing know-how.

7) Preparation of Project Report: The report usually covers important items like sources Of finance, availability of machinery and technical know-how, sources of raw material and labour, market potential and overall profitability.

8) Registration as a Small Scale Industry: Registration with Department of industries and Commerce is only optional. There is no statutory obligation, but small scale industries can avail various facilities, incentives and concessions offered by the state as well as central government only if they registered as SSI. The registration would be done in two stages.

☐ **Provisional Registration:** It will be valid for one year with possible three extensions of six months each. It helps entrepreneur to take necessary steps to bring the units into existence. The provisional registration may enable the party to:

- (1) Apply to NSIC/SIDO and other institutions for procuring machines on H.P basis.
- (2) Apply for power connection.
- (3) Apply to local Bodies for permission to construct the shed to establish a unit.
- (4) Apply for financial assistance to SFC/Banks or other financial institutions on the basis of project report.
- (5) Obtain sales tax, excise registration etc whenever required.
- (6) Apply for a shed in an industrial estate/ development site in an industrial area/ material for construction of shed as the case may be.

9) Obtaining Statutory License: Any person should obtain the following licenses and Certificates before starting the venture:

- (A) License from Local Bodies For
 - (1) Construction of the building.
 - (2) Installation of plant and machinery.
- (B) License from the Directorate of Factories and Boilers For:
 - (1) Approval of factory building.
 - (2) Registration under section 6, 7 and 85 of the Factory Act.
- (C) No Objection Certificate from State Pollution Control Board.

10) Apply for Power Connection: There are 2 categories of power, the Low Tension (LT) and High Tension (HT). A consumer can avail LT only if the connected load is 75 HP and below. If connected load is between 75 HP and 130 HP, the consumer has the option to avail either LT supply or HT supply.

11) Arrangement of Finance: Entrepreneur needs to acquire assets of 2 kinds namely Fixed assets and current assets. Long term finance is needed to acquire fixed assets like land, building, plant and machinery and for security deposits. Short term funds are required for acquiring current assets. Current assets are essential for the day to day working of the industry. Long term funds includes owner's capital, subsidy from central/ state govt., personal borrowings from friends and relatives and long term loans from financial institution like KFC and KSIDC.

12) Registration under the Sales Tax Act: Business enterprises are subject to three important taxes- Income Tax, Excise Duty and Sale Tax. Income tax is levied on income as defined under the IT Act of 1961. It is revenue of Central Government. Excise duty is a tax levied by the central Government. It is the duty levied on the cost of goods manufactured within a country. Sales tax is levied whenever goods are purchased from within the state. When goods are purchased from outside the state, Central Sales Tax is levied. Application for registration should mention all places of business dealer including the godown in which the goods are stored. The following papers are to be submitted for registration.

- 1) Application for registration in Form 1 duly signed.

2) Counterfoil of challan for Rs. 100 towards registration fees.

3) Return of Estimated Annual Turnover in Form No. 10.

On the basis of declaration of the anticipated turn over and nature of turnover, registering authority may demand security, which is normally $\frac{1}{2}$ times of the anticipated tax due.

13) Installation of Machinery: Machinery should preferably be installed as per the plant layout.

14) Recruitment of Manpower: The number and type of workers is to be decided. After this, the required workers should be recruited.

15) Procurement of Raw Material: The raw materials may be procured indigenously or may have to be imported by the entrepreneur. The next step is to start production, which is taken up in two stages- Trial production and Commercial production having successfully test marketed the product, commercial marketing can be undertaken.

16) Application for Permanent Registration: For this, application form has to be made to the GM of DIC through IEO/ Taluk Industries Officer. The GM should inform the entrepreneur of the date and time of inspection of the unit. On being satisfied a registration certificate may be issued by the Directorate of Industries within one month of the receipt of the application. The period of the certificate whether provisional or permanent will be for a period of 2 years. Renewal certificate would be affected by the GM (DIC) within a period of 3 months from the date of expiry of certificate.

Issues relating to location

Proper selection of site for factory location is often critical to success of the venture.

There are a host of factors that are required to be considered before taking a final decision on location. The most important among them are –

1. Proximity to Raw Material Source/Markets – This decision will depend on nature

Of product. In case of high cost products like specialist machines, watches, etc, where transport cost is a fraction of total cost, this factor loses most of its relevance.

But for products like cement, where freight cost is a major component in the total cost, this factor assumes mighty significance since freight cost is often directly proportional to the distance. low weight/volume product, proximity. At times tradeoff is required between raw material source and markets. Unless the product is highly perishable, preference is given to proximity to raw material source, since volume of raw materials is mostly more than finished product.

2. Infrastructure – Good infrastructure brings down the capital as well as operating cost and therefore play a vital role in the location selection for an industry. The facilities includes transport & communication, power, water, banking etc.

3. Government Policy – Many state governments offer various incentives in the form of tax shelters/deferment, concessional land and amenities, in order to promote industrial development of state or a particularly backward region of the state.

4. Availability of Skilled Man Power – Certain kind of artisans are in abundance in certain geographical areas only. They are hard to find elsewhere. Like, Diamond Cutting and polishing is a skill for which artisans are available in Gujarat only. Similarly, carpet weavers are in abundant supply in certain pockets of Uttar Pradesh.

5. Local laws and Regulations – Local laws might prohibit setting up of certain kind of industries in particular areas for various reasons.

6. Ecological & Environment Factors

7. Competition – In case of some enterprises, like retail stores, where the revenue of a Particular site depends on the degree of competition from the other competitors in the locality; it plays a crucial role in selecting the location of the stores.

PROJECT REPORT/BUSINESS PLAN

A project report may be defined as a document with respect to any investment proposal based uncertain information and factual data for the purpose of appraising the project. It states as to what business is intended to be undertaken by the entrepreneur and whether it would be physically possible, financially viable, commercially profitable and socially desirable to do such a business. Project report is an essential document for procuring assistance from financial institutions and for fulfilling other formalities for implementation of the project. The project report (Detailed Feasibility Report) is based on a preliminary report or pre-investment report. Thus the project report is a post investment decision report.

OBJECTIVES OF THE PROJECT REPORT/BUSINESS PLAN

The basic aim of a project report is to assess the financial viability of a project as well as the soundness of its production, marketing and other related aspects. It serves the following main objectives.

- 1) It facilitates business planning and planning the future course of action.
- 2) It enables an entrepreneur to compare different investment proposals and select the most suitable project.
- 3) It provides a SWOT analysis, wherein the strengths, weaknesses, opportunities and threats involved in the projects as shown.
- 4) The project report enables the entrepreneur to ensure that he is proceeding in the right direction.
- 5) In case of public sector projects this report would also enable the concerned authorities to take an objective decision on the project.
- 6) It facilitates project appraisal.
- 7) It helps the financial institutions to make appraisal as regards financial, economic and

technical feasibility.

CONTENTS OF PROJECT REPORT/BUSINESS PLAN

It contains relevant information in detailed and systematic manner as below:

- 1) INTRODUCTION: General information regarding the company and production description.
- 2) BACKGROUND OF THE PROMOTER: - Name, address, age, family background, educational qualification, work experience, investment potential etc.
- 3) PRODUCT: - Details of products to be produced, details of application of the product, proposed product mix, product standard etc.
- 4) MARKET AND MARKETING:- Market potential analysis, major buyers, area to be covered, trade practices, sales promotion devices, trade practice and trade channels adopted by the competitors, demand analysis, proposed market research etc.
- 5) LOCATION: - Locational advantages, criteria for selecting the location, exact location of the project, other choices.
- 6) PRODUCTION PROCESS: - Details of technology, process flow chart, manufacturing process, production programme etc.
- 7) RAW MATERIAL: - List of raw material required in terms of quality and quantity, sources of requirement, cost of raw material etc.
- 8) UTILITIES: -Water, power, steam-sources and costs, effluent disposal etc.
- 9) TRANSPORT AND COMMUNICATION: - Method, possibility of getting and costs of transport.
- 10) MANPOWER REQUIREMENT: -Requirement of skilled, semi skilled personnel, technical and non-technical personnel, cost of procurement, capacity, and suppliers cost, alternatives available, cost of miscellaneous assets.
- 11) LAND AND BUILDING: - Land area, construction area, cost of construction, detailed plan, plant lay out along with cost.
- 12) PLANT AND MACHINERY: - Details of machinery and equipment required.
- 13) COST OF PROJECT AND SOURCES OF FINANCE: - Working capital required, preliminary and pre-operative expenses, contingencies and arrangements for the meeting the cost of project.
- 14) FINANCIAL VIABILITY OF THE PROJECT: -Cost of production and profitability for the first years, break even analysis, and analysis of cash flow and fund flow statements.

Manufacturing Enterprises

Micro Enterprises

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

Small Enterprise

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

Medium Enterprise

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

Service Enterprises

Micro Enterprises

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

Small Enterprises

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

Medium Enterprises

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

Start-up:

It refers to the birth of a business enterprise in the economy. The production takes place in limited scale. The enterprise is not faced with any competition during this stage. Profits may not be earned during the start up stage.

A start-up is defined as a business that:

1. Engages in development, production or distribution of new products, processes or services
2. New and existence for more than five years
3. Revenue up to 25 crores

Basic start-up problems

1. Raising start-up capital
2. Business model failure
3. Poor management team
4. Product problems
5. Dealing with competition
6. Marketing problems

Policy initiatives for start-up

1. Make in India—14th September 2014
2. Standup India—6th Jan.2016
3. Digital India--- July 2015
4. Mudra scheme---2016

5. PMEGS
6. Khadi and village industries

Incubation

"Business incubation is a unique and highly flexible combination of business development processes, infrastructure and people designed to nurture new and small businesses by helping them to survive and grow through the difficult and vulnerable early stages of development."

Incubators serve as a launching pad for young and small businesses. Start-ups, which are innately dynamic entities need access to support, and incubators are a means of providing this.

According to the National Business Incubator Association (Head Quarters at Ohio University), "A business incubator is an organization designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services".

Business incubators provide a physical location in which a new business can commence, coupled with support services such as shared facilities and business advice. Business incubators are also known as enterprise centers, nursery estates, shared work spaces, managed work spaces venture unit.

BENEFITS PROVIDED BY BUSINESS INCUBATORS

The primary goal of a business incubator is to produce successful business that is able to operate independently and financially viable. It creates job opportunities and contributes to the economic development of a country. It commercializes new technologies and develops local economies.

Business incubation helps in:

- 1) Creating jobs and wealth.
- 2) Community revitalization.
- 3) Identifying potential opportunities.
- 4) Encouraging women or minority entrepreneurship.
- 5) Business creation and retention.

- 6) Accelerating growth of local industry clusters.
- 7) Diversifying local economies.
- 8) Technology commercialization.
- 9) Fostering a community's entrepreneurial climate

CLASSIFICATION OF BUSINESS INCUBATOR

ON THE BASIS OF TYPE OF SPONSORSHIP: They may be classified into the following four types:

- 1) Government Sponsored:** These incubators are organized by the government organizations or departments.
- 2) Non-Profit Organizations Sponsored:** These incubators are sponsored and managed through associations; chambers of commerce etc. Area development is the major objective of non-profit organizations sponsored incubators.
- 3) University Or Academic Institutions Sponsored:** The major role of university related incubators is to transit the findings of research and development into new products and technologies. Academic institutions like IIMs also act as business incubators.
- 4) Privately Sponsored:** These incubators are organized and managed by private forms or companies or corporations. The major goal is to make profit.

ON THE BASIS OF OBJECTIVE: They may be classified into the following three types:

- 1) General Purpose Incubators:** The main objective of general purpose incubators is to create employment.
- 2) Technology Incubators:** They seek to commercialize new product or services.
- 3) Specialist Incubators:** They focus on specific industry areas. For example, art and craft business, agriculture and green technologies.

SERVICES PROVIDED BY BUSINESS INCUBATORS

They provide following types of services:

- 1) Help in project report preparation.

2) Provide additional information and access to various type of financial and technical assistance.

3) Provide the following business advice:

a) Developing business idea.

b) Business and strategic planning

c) Proactive support.

d) Financial and legal advice.

e) Management.

f) Marketing and sales.

4) Provide the following business services:

a) Book keeping and word processing.

b) Photocopier, fax and postage services.

c) Conference and meeting rooms.

d) Reception and telephone answering.

e) Secretarial services.

5) Provide the following business support:

a) Hard service (savings in capital).

b) Synergies with other client businesses.

c) Mentoring.

d) Networking (providing helpful information, contacts, or business relationships).

6) Provide an environment where small businesses are not alone, thereby reducing the anxiety of starting a new venture etc.

Environmental Problems and Environmental pollution Act

Environment protection is the call of the day. Environmental pollution by industrial activities is a major concern for all the govt. around the globe. Different types of industries cause

different types of pollution. The guidelines, rules and regulation are prescribed by the govt. and to enforce them Pollution Control Board has been created.

Three acts have been passed with a set of rules and regulations followed by all industries. They are

1. The water (prevention and control of pollution) act,1974
2. The air(prevention and control of pollution) act,1981
3. The Environment (protection) act, 1986

For the sake of environment industries are classified into three categories.

1. Red category (refers to highly polluting industries) e.g. - Iron, Steel, Power, Cement, Textile, Fertilizer, Leather etc.
2. Orange category ((refers to medium level of polluting industries) e.g. .Bricks, Food processing, Hotels, Pharmaceuticals, Detergent etc.
3. Green category ((refers to non polluting industries) e.g. Software industries, Cosmetic, Jewelry, Fabrication unit etc

Marketing management in small business

Meaning Marketing Management

Management Guru Philip Kotler defines Marketing as “marketing management is the analysis, planning, implementation and control of programs designed to bring about the desired exchanges with target audiences for purpose of personal and mutual gain. It relies heavily on adoption and coordination of the product, price promotion and place for achieving response.”

Marketing is the process of satisfying the needs and wants of consumers. Management of of marketing activities is marketing management.

Objectives of Marketing Management:

- Determination of needs and wants of customers
- Market segmentation
- Growth of the enterprise
- ☐ Increase in sales volume
- ☐ Increase in net profits

- Increase in customer satisfaction

Functions of Marketing Management:

1. **Marketing Objectives:** Marketing management determines the marketing objectives. The marketing objective may be short-term and long-term and need a clear approach. They need to be coherence with the aims and objectives of the organization.
2. **Planning:** After determining the marketing objectives, the important function is to plan how to achieve these objectives. This includes sales forecasts, marketing program formulation, marketing strategies.
3. **Organisation:** A plan once formulated needs implementation. Organizing functions of marketing management includes collection and coordination of required means to implement plan and to achieve pre determined objectives. The organization involves structure of marketing organization, duties, responsibilities and powers of various members of the marketing organization.
4. **Staffing:** Employment of right and able employees is the crucial to success of a marketing plan. The marketing Manager coordinates with Human Resource Manager to be able to hire the employees with desired capabilities.
5. **Coordination:** Coordination refers to harmonious adjustment of the activities of the marketing organization. It involves coordinating among various activities such as forecasting, product planning, product development, transportation, warehousing etc.
6. **Direction:** Direction in marketing management refers to the development of new market, leadership of employees, motivation, inspiration, guidance, and supervision of employees.
7. **Control:** Control refers to the effectiveness with which a marketing plan is implemented. It involves determination of standards, evaluation of actual performance, adoption of corrective measures.
8. **Analysis and Evaluation:** The marketing management involves the analysis and evaluation of the productivity and performance of the individual employees.

Marketing Mix

Marketing Mix - A mixture of several ideas and plans followed by a marketing representative to promote a particular product or brand is called marketing mix. Several concepts and ideas combined together to formulate final strategies helpful in making a brand popular amongst the masses form marketing mix.

Elements of Marketing Mix

The elements of marketing mix are often called the four P's of marketing.

1. Product

Goods manufactured by organizations for the end-users are called products.

Products can be of two types - Tangible Product and Intangible Product (Services)

An individual can see, touch and feel tangible products as compared to intangible products.

A product in a market place is something which a seller sells to the buyers in exchange of money.

2. Price

The money which a buyer pays for a product is called as price of the product. The price of a product is indirectly proportional to its availability in the market. Lesser its availability, more would be its price and vice a versa. Retail stores which stock unique products (not available at any other store) quote a higher price from the buyers.

3. Place

Place refers to the location where the products are available and can be sold or purchased. Buyers can purchase products either from physical markets or from virtual markets. In a physical market, buyers and sellers can physically meet and interact with each other whereas in a virtual market buyers and sellers meet through internet.

4. Promotion

Promotion refers to the various strategies and ideas implemented by the marketers to make the end - users aware of their brand. Promotion includes various techniques employed to promote and make a brand popular amongst the masses.

Promotion can be through any of the following ways:

- Advertising

Print media, Television, radio are effective ways to entice customers and make them aware of the brand's existence.

Billboards, hoardings, banners installed intelligently at strategic locations like heavy traffic areas, crossings, railway stations, bus stands attract the passing individuals towards a particular brand.

Taglines also increase the recall value of the brand amongst the customers.

- Word of mouth

One satisfied customer brings ten more customers along with him whereas one dis-satisfied customer takes away ten more customers. That's the importance of word of mouth. Positive word of mouth goes a long way in promoting brands amongst the customers.

Lately three more P's have been added to the marketing mix. They are as follows:

- People - The individuals involved in the sale and purchase of products or services come under people.
- ☒ Process - Process includes the various mechanisms and procedures which help the product to finally reach its target market
- ☒ Physical Evidence - With the help of physical evidence, a marketer tries to communicate the USP's and benefits of a product to the end users

Four C's of Marketing Mix

Now a days, organizations treat their customers like kings. In the current scenario, the four C's has thus replaced the four P's of marketing making it a more customer oriented model. Koichi Shimizu in the year 1973 proposed a four C's classification.

- ☒ Commodity - (Replaces Products)
- ☒ Cost - (Replaces Price) involves manufacturing cost, buying cost and selling cost
- ☒ Channel - The various channels which help the product reach the target market.
- ☒ Communication - (Replaces Promotion)

Problems in marketing management in small business

1. Inadequate importance to marketing activities
2. Improper planning of marketing activities
3. Failures to understand buyers needs
4. Failure to reach the prospective buyers
5. Lack of creative ideas
6. Less effective advertising
7. Unsuitable channel of distribution
8. Unsuitable pricing policy
9. Failure to maintain proper customer relation

10. Lack of product quality
11. Lack of trained sales people
12. Obstruction by competitors
13. Unsuitable terms and condition
14. Lack of proper marketing strategies

Strategies for successful marketing management

1. Create space for own products
2. Create new customers
3. Catch others dissatisfied customers
4. Hire consultants
5. Refine product policy with attractive packing
6. Assure better after sales service
7. Decide better terms and condition for middlemen
8. Work on feedback
9. Work on creative ideas in marketing
10. Effective advertising strategy
11. Create a dedicated and strong marketing team
12. A good pricing policy

Accounting

An account is a brief history of financial transaction of a particular person or item. An account has two sides called debit side and credit side.

Importance of accounting

1. Business Forecasting
2. Correct decision making
3. Correct taxation
4. Helpful in solving business disputes
5. Assessing financial status of business
6. Documentary evidence

Working Capital Management

- Working capital management is concerned with making sure we have exactly the right amount of money and lines of credit available to the business at all times
- Working Capital is the money used to make goods and attract sales

- The less Working Capital used to attract sales, the higher is likely to be the return on investment
- Working Capital = Current Assets – Current Liabilities

Working Capital Management

- Cash Management
- Receivables Management
- Inventory Management

Cash Management

- Identify the cash balance which allows for the business to meet day to day expenses reduces cash holding costs

Receivables Management

- Money which is owed to a company by a customer for products and services provided on credit
- Identify the appropriate credit policy

Inventory Management

- Identify the level of inventory which allows for uninterrupted production
- Reduces the investment in raw materials, minimizes reordering costs and hence increases cash flow

Human Resource Management (HRM) in small business

HRM is that it is the process of managing people in organizations in a structured and thorough manner. This covers the fields of staffing (hiring people), retention of people, pay and perks setting and management, performance management, change management and taking care of exits from the company to round off the activities.

Human Resource Management (HRM) is the function within an organization that focuses on recruitment of, management of, and providing direction for the people who work in the organization.

IMPORTANCE OF HUMAN RESOURCE MANAGEMENT

Human Resource Management is related with effective utilization of human resources. The importance of HRM can be discussed as:

1. Importance concerned with individual organization

Human Resource Management can help an organization to achieve its objective more efficiently and effectively in the following ways:

- (a) Procurement of required talents through recruitment, selection, placement, induction, Training, compensation and promotion policies.
- (b) Secures co-operation of all employees of the organization for achieving goals.
- (c) Proper utilization of human resources for the success of the enterprise.
- (d) Ensure a future team of efficient competent workers required for the organization.

2. Professional Importance

Professional competency among employees can be achieved through the following ways.

- (a) Human resource management provides maximum opportunities to employees for their personnel development.
- (b) Providing healthy relationship among employees
- (c) Proper allocation of work among employees.
- (d) Providing training facilities for the individual development of employees.

3. Social Importance

HRM is important in social perspective also. It includes the following aspects:

- (a) Human resource management enhances the dignity of labour.
- (b) Provides suitable job to suitable person and it will help to satisfy the psychological and social satisfaction of employees.
- (c) Helps to provide reasonable compensation to workers, which leads them to have a good standard of living.
- (d) Helps to maintain a balance between jobs and job seekers in terms of numbers, qualification, aptitude etc.

(e) Takes health and safety measures which ensures physical and mental health of the employees.

4. National Importance

Effective management of human resources will speed up the economic growth of nation. This in turn leads to better standard of living and more job opportunities.

Human Resource Management: Objectives

- To help the organization reach its goals.
- To ensure effective utilization and maximum development of human resources.
- To ensure respect for human beings. To identify and satisfy the needs of individuals.
- To ensure reconciliation of individual goals with those of the organization.
- To achieve and maintain high morale among employees.
- To provide the organization with well-trained and well-motivated employees.
- To increase to the fullest the employee's job satisfaction and self-actualization.
- To develop and maintain a quality of work life.
- To be ethically and socially responsive to the needs of society.
- To develop overall personality of each employee in its multidimensional aspect.
- To enhance employee's capabilities to perform the present job.
- To equip the employees with precision and clarity in transactions of business.
- To inculcate the sense of team spirit, team work and inter-team.

Functions of HRM

Human Resource Management Functions:

Managerial, Operative and Advisory Function

Some of the major functions of human resource management are as follows:

1. Managerial Functions
2. Operative Functions

3. Advisory Functions.

1. Managerial Functions:

The Human Resource Manager is a part of the organizational management. So he must perform the basic managerial functions of planning, organizing, directing and controlling in relation to his department.

These functions are briefly discussed below:

1. Planning:

To get things done through the subordinates, a manager must plan ahead. Planning is necessary to determine the goals of the organization and lay down policies and procedures to reach the goals. For a human resource manager, planning means the determination of personnel programs that will contribute to the goals of the enterprise, i.e., anticipating vacancies, planning job requirements, job descriptions and determination of the sources of recruitment.

The process of personnel planning involves three essential steps.

Firstly, a supply and demand forecast for each job category is made. This step requires knowledge to both labor market conditions and the strategic posture and goals of the organization.

Secondly, net shortage and excess of personnel by job category are projected for a specific time horizon.

Finally, plans are developed to eliminate the forecast shortages and excess of particular categories of human resources.

2. Organizing:

Once the human resource manager has established objectives and developed plans and programs to reach them, he must design and develop organization structure to carry out the various operations.

The organization structure basically includes the following:

- (i) Grouping of personnel activity logically into functions or positions;
- (ii) Assignment of different functions to different individuals;
- (iii) Delegation of authority according to the tasks assigned and responsibilities involved;

(iv) Co-ordination of activities of different individuals.

3. Directing:

The plans are to be put into effect by people. But how smoothly the plans are implemented depends on the motivation of people. The direction function of the personnel manager involves encouraging people to work willingly and effectively for the goals of the enterprise. In other words, the direction function is meant to guide and motivate the people to accomplish the personnel programs. The personnel manager can motivate the employees in an organization through career planning, salary administration, ensuring employee morale, developing cordial relationships and provision of safety requirements and welfare of employees.

The motivational function poses a great challenge for any manager. The personnel manager must have the ability to identify the needs of employees and the means and methods of satisfy those needs.

4. Controlling:

Controlling is concerned with the regulation of activities in accordance with the plans, which in turn have been formulated on the basis of the objectives of the organization. Thus, controlling completes the cycle and leads back to planning. It involves the observation and comparison of results with the standards and correction of deviations that may occur.

Controlling helps the personnel manager to evaluate and control the performance of the personnel department in terms of various operative functions. It involves performance appraisal, critical examination of personnel records and statistics and personnel audit.

2. Operative Functions:

The operative functions are those tasks or duties which are specifically entrusted to the human resource or personnel department. These are concerned with employment, development, compensation, integration and maintenance of personnel of the organization. The operative functions of human resource or personnel department are discussed below:

1. Employment:

The first operative function of the human resource or personnel department is the employment of proper kind and number of persons necessary to achieve the objectives of the organization. This involves recruitment, selection, placement, etc. of the personnel. Before these processes are performed, it is better to determine the manpower requirements both in terms of number and quality of the personnel. Recruitment and

selection cover the sources of supply of labor and the devices designed to select the right type of people for various jobs. Induction and placement of personnel for their better performance also come under the employment or procurement function.

2.Development:

Training and development of personnel is a follow up of the employment function. It is a duty of management to train each employee properly to develop technical skills for the job for which he has been employed and also to develop him for the higher jobs in the organization. Proper development of personnel is necessary to increase their skills in doing their jobs and in satisfying their growth need.

For this purpose, the personnel departments will device appropriate training programs. There are several on- the-job and off-the-job methods available for training purposes. A good training program should include a mixture of both types of methods. It is important to point out that personnel department arranges for training not only of new employees but also of old employees to update their knowledge in the use of latest techniques.

3.Compensation:

This function is concerned with the determination of adequate and equitable remuneration of the employees in the organization of their contribution to the organizational goals. The personnel can be compensated both in terms of monetary as well as non-monetary rewards. Factors which must be borne in mind while fixing the remuneration of personnel are their basic needs, requirements of jobs, legal provisions regarding minimum wages, capacity of the organization to pay, wage level afforded by competitors etc. For fixing the wage levels, the personnel department can make use of certain techniques like job evaluation and performance appraisal.

4.Maintenance (Working Conditions and Welfare):

Merely appointment and training of people is not sufficient; they must be provided with good working, conditions so that they may like their work and workplace and maintain their efficiency. Working conditions certainly influence the motivation and morale of the employees. These include measures taken for health, safety, and comfort of the workforce. The personnel department also provides for various welfare services which relate to the physical and social well- being of the employees. These may include provision of cafeteria, rest rooms, counseling, group insurance, education for children of employees, recreational facilities, etc.

5. Motivation:

Employees work in the organization for the satisfaction of their needs. In many of the cases, it is found that they do not contribute towards the organizational goals as much as they can. This happens because employees are not adequately motivated. The human resource manager helps the various departmental managers to design a system of financial and non-financial rewards to motivate the employees.

6. Personnel Records:

The human resource or personnel department maintains the records of the employees working in the enterprise. It keeps full records of their training, achievements, transfer, promotion, etc. It also preserves many other records relating to the behavior of personnel like absenteeism and labor turnover and the personnel programs and policies of the organization.

7. Industrial Relations:

These days, the responsibility of maintaining good industrial relations is mainly discharged by the human resource manager. The human resource manager can help in collective bargaining, joint consultation and settlement of disputes, if the need arises. This is because of the fact that he is in possession of full information relating to personnel and has the working knowledge of various laws and enactments.

The human resource manager can do a great deal in maintaining industrial peace in the organization as he is deeply associated with various committees on discipline, labor welfare, safety, grievance, etc. He helps in laying down the grievance procedure to redress the grievances of the employees. He also gives authentic information to the trade union leaders and conveys their views on various labor problems to the top management.

8. Separation:

Since the first function of human resource management is to procure the employees, it is logical that the last should be the separation and return of that person to society. Most people do not die on the job. The organization is responsible for meeting certain requirements of due process in separation, as well as assuring that the returned person is in as good shape as possible. The personnel manager has to ensure the release of retirement benefits to the retiring personnel in time.

3. Advisory Functions:

Human resource manager has specialized education and training in managing human resources. He is an expert in his area and so can give advice on matters relating to human resources of the organization. He offers his advice to:

1. Advised to Top Management:

Personnel manager advises the top management in formulation and evaluation of personnel programs, policies and procedures. He also gives advice for achieving and maintaining good human relations and high employee morale.

2. Advised to Departmental Heads:

Personnel manager offers advice to the heads of various departments on matters such as manpower planning, job analysis and design, recruitment and selection, placement, training, performance appraisal, etc.

Problems of HRM in small business

1. Lack of trained employees
2. Lack of HR experts
3. Workplace litigation
4. Not maintaining regulation and laws
5. Competitive disadvantage

Labor laws in small business

1. EMPLOYEES' PROVIDENT FUNDS & MISC. PROVISIONS ACT, 1952
To provide wider terminal benefits to the Workers on completion of their employment.
2. EMPLOYEES' STATE INSURANCE ACT, 1948
To provide social insurance for the employees.
3. FACTORIES ACT, 1948
Applicability of the Act
To any premises where manufacturing activities are carried out with the aid of power and where 10 or more workers are/were working OR where manufacturing activities are carried out without the aid of power and where 20 or more workers are/were working.
Employer to ensure health of workers pertaining to
 - Cleanliness Disposal of wastes and effluents
 - Ventilation and temperature dust and fume
 - Overcrowding Artificial humidification Lighting
 - Drinking water Spittoons.Safety Measures
 - Facing of machinery
 - Work on near machinery in motion.
 - Employment prohibition of young persons on dangerous machines.
 - Striking gear and devices for cutting off power.

- Self-acting machines.
- Casing of new machinery.
- Prohibition of employment of women and children near cotton-openers.
- Hoists and lifts.

Working Hours, Spread Over & Overtime of Adults

- Weekly hours not more than 48 hours.
- Daily hours, not more than 9 hours.
- Intervals for rest at least ½ hour on working for 5 hours.
- Spread over not more than 10½ hours.
- Overlapping shifts prohibited.
- Extra wages for overtime double than normal rate of wages.
- Restrictions on employment of women before 6AM and beyond 7 PM.

Welfare Measures

- Washing facilities
- Facilities for storing and drying clothing
- Facilities for sitting
- First-aid appliances – one first aid box not less than one for every 150 workers.
- Canteens when there are 250 or more workers.
- Shelters, rest rooms and lunch rooms when there are 150 or more workers.
- Creches when there are 30 or more women workers.
- Welfare office when there are 500 or more workers.

4. INDUSTRIAL DISPUTES ACT, 1947 -- Provisions for investigation and settlement of industrial disputes and for certain other purposes.

5. PAYMENT OF BONUS ACT, 1965 -- Object of the Act

To provide certain statutory right to the employees to share the profit of the employer.

Applicability of Act

Every factory where in 10 or more persons is employed and other establishments in which 20 or more persons are employed on any day during an accounting year

6. PAYMENT OF GRATUITY ACT, 1972 --- Object of the Act

To provide certain reward to the employees for a long meritorious service, at the end of their services.

Applicability

Every factory, mine, oil field, plantation, port, railways, shop or establishment employing 10 or more employees Once Act applies; it continues to apply even if employment strength falls below 10.

Eligibility

- Any person employed on wages/salary (irrespective of designation) and completed 5 years of continuous service (except in case of death), shall be eligible for gratuity at the end of their services.

Benefits

- 15 days wages (basic + DA) for every completed year of service.
- Maximum gratuity payable is Rs.10, 00,000/-

7. PAYMENT OF WAGES ACT, 1936 --- Object of the Act

The main object of the Act is to regulate the payment of wages of certain classes of employed persons, avoid unnecessary delay in the payment of wages and to prevent unauthorized deductions from the wages.

8. MATERNITY BENEFIT ACT, 1961 --- Object of the Act

To protect the dignity of motherhood and to provide certain benefits to women employees at the time of child-birth.

Coverage of the Act

Upon all women employees either employed directly or through contractor employed in mines, factories, plantations and also in other establishments if the State Government so decides. Also applicable to every shop or establishment in which ten or more persons are employed.

Conditions for eligibility of benefits

Women indulging temporary of unmarried are eligible for maternity benefit when she is expecting a child and has worked for her employer for at least 80 days in the 12 months immediately preceding the date of her expected delivery.

This Act shall not be applicable when and where ESI Act is applicable.

Benefits

- Leave with average pay for six weeks before the delivery.

- Leave with average pay for six weeks after the delivery.
- A medical bonus of Rs.3500/- if the employer does not provide free medical care to the woman.
- An additional leave with pay up to one month if the woman shows proof of illness due to the pregnancy, delivery, or premature birth.

Non Cash Benefits/Privilege

- Light work for ten weeks (six weeks plus one month) before the date of her expected delivery, if she asks for it.
- Two nursing breaks in the course of her daily work until the child is 15 months old.
- No discharge or dismissal while she is on maternity leave.

9. MINIMUM WAGES ACT, 1948 ---- Object of the Act

This Act earlier known as “Workmen’s Compensation Act is introduced as a kind of Social Security Scheme for the workmen who suffer employment injury, occupational disease etc.

Applicability

To those employers employing persons listed in Schedule II of the Act and to whom ESI Act, not applicable.

Coverage of Workmen

All workers irrespective of their status or salaries either directly or through contractor or a person recruited to work abroad.

Eligibility

- Any workman who is injured by accident arising out of and in the course of his employment OR contracts occupational disease peculiar to his occupation.

Benefits

- In case of death results from injury, 50% of monthly wages X relevant factor OR Rs.1, 20,000/- whichever is more.
- In case of Permanent total disablement resulted from the injury, 60% of monthly wages X relevant factor OR Rs.1, 40,000/- whichever is more

- Where permanent, partial disablement or temporary disablement results from injury, as per prescribed schedule.
- In case of death funeral expenses of Rs.5, 000/-
- Relevant factor is based on the age of workman
- For the purpose of calculation of compensation, the monthly salary ceiling is Rs.8000/-, as per Central Govt. Notification dated 31.05.2010.
- In the event of death or in the event of any dispute, the compensation to be deposited with the Commissioner within one month.

When an employee is not liable for compensation

- In respect of any injury which does result in the total or partial disablement of the workman for a period exceeding three days.
- In respect of any injury, not resulting in death or permanent total disablement caused by an accident which is directly attributable to-
 - The workman having been at the time thereof under the influence of drink or drugs, or
 - Willful disobedience of the workman to an order expressly given, or to a rule expressly framed, for the purpose of securing the safety of workmen, or
 - Willful removal or disregard by the workman of any safety guard or other device which he knew to have been provided for the purpose of securing the safety of workman.

10. EMPLOYEE'S COMPENSATION ACT, 1923 ---- Object of the Act

To fix minimum rates of wages in certain category of employments & industries.

Entrepreneurship and Financial Support

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

The national level institutions are

Industrial Development Bank of India

Industrial Finance Corporation of India

Small Industries Development Bank of India

Industrial credit and Investment Corporation of India

National Small Industries Corporation

National Bank for Agriculture and Rural Development

Shipping Credit and Investment Corporation of India

Industrial Reconstruction Bank of India

The State level institutions are

State Financial corporations

State Industrial Investment Corporation

Small Industries Development Corporation

Investment Institutions

Unit Trust of India

Life Insurance Corporation of India

General Insurance Corporation of India

Training Institutes

1. National Institute for Entrepreneurship and Small Business Development, New Delhi (NIESBUD)
2. Entrepreneurship Development Institute of India , Ahemdabad (EDII)
3. Indian Institute for Entrepreneurship, Guwahati (IIE)
4. National Institute of Small Industry Extension Training, Hyderabad (NISIET)
5. Centers for Entrepreneurship Development at State Level (CED)

Industrial Finance Corporation of India (IFCI)

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

Industrial Development Bank of India (IDBI)

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

The various industries eligible to get finance from IDBI includes the industries engaged in the manufacture, processing or preservation of goods, mining, shipping, transport, hotel industry, generation or distribution of power, fishing, repairing, testing or servicing of machinery or vehicles, vessels etc., setting up of industrial estates, research and development of any process or product in providing special or technical knowledge or other services for the promotion of industrial growth. Besides, IDBI has the following main objectives.

To plan and promote the development of industries in the backward areas.

To provide financial and promotional assistance to all types of industries including for modernization and expansion of the units.

To undertake, market and investment surveys and also research activities to help the entrepreneurs.

The Industrial Credit and Investment Corporation of India (ICICI)

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

Small Industry development bank of India (SIDBI)

It is a national institution for promotion, financing and development of small scale industries. It came to operation on April 2, 1990. SSI can avail financial assistance from SIDBI through its direct and indirect financial assistance programme. All the programmes of the

SIDBI are directed to solve the problems of the SSIs in areas like, quality of up gradation, obsolescence of technology and technology improvement, marketing, infrastructure development, delayed realization of bills, ancillarisation, export financing and venture capital financing.

National Bank for Agriculture and Rural Development (NABARD)

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

State Financial Corporation's (SFCs)

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

Commercial Banks

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

Investment Institutions

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

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

International Financial Agencies

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

The services of the IBRD and IDA are listed below

Providing financial support to the member countries.

Providing economic advice and technical assistance

Serving as a catalyst to investment by others

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

Promoting foreign investment by guarantees or through participation and other investment of capital for fulfilling the investment needs of the member countries.

Maintain equilibrium in the balance of payments of member countries by promoting international investments

MEASURES TAKEN BY THE GOVERNMENT FOR THE PROMOTION OF MSMEs

Some of the measures taken by the government are as follows:

ADMINISTRATIVE FRAMEWORK: Administrative mechanism for SSI is being looked after by the Department of Small Scale Industries, Agro and Rural Industries within the Ministry of Industry. With the Department there is Small Industries Development Organization (SIDO) headed by a department commissioner. SIDO has 27 small industries service institutes, 31 branch institutes, 37 extension centres, 18 field testing centres, four production centres and two footwear training centers. To provide different services and support to village and small entrepreneurs under a single roof, 422 Districts Industries Centers (DIC) have been set up to cover 431 districts out of the total of 436 districts of the country. National Institute of Small Industries Extension Training (NISIET) conduct research and training programmes and

provides consultancy services. National Small Industries Corporation (NSIC) deals with marketing including Government purchases and supplying machinery on hire purchase.

POLICY INSTRUMENTS: Policy instruments adopted by the government to encourage the growth of SSI comprise: (1) Financial incentives. (2) Fiscal incentives. (3) General incentives. (4) Special incentives in backward areas, and (5) Reservation of items for SSI.

(1) Financial Incentives: SIDBI provides direct assistance, among others for specialized marketing agencies, industrial estates, acquisition of machinery/ equipment, both indigenous and imported, seed capital scheme and National Equity Fund Scheme, bills rediscounting and direct discounting scheme. State and Local Government provides financial subsidies like interest rate and capital subsidies, and water and electricity subsidies and subsidies for the acquisition of land.

(2) Fiscal Incentives: These comprise investments allowance, tax holidays, additional depreciation for new plant and machinery and state and local Governments provide exemption from electricity tariffs.

3) General Incentives: These include, among other things, reservation of items for exclusive purchases from SSI, price preference over medium and large units in public sector purchases and scheme for Self- Employment to Educated Unemployed Youths (SEEUY).

(4) Special Incentives in Backward Areas: Some of the schemes which are operational are concessional finance scheme, transport subsidy scheme, interest subsidy scheme and income tax incentives, etc.

STATUTORY BOARDS: Govt. has setup six exclusive boards, namely, (1) Khadi and Village Industries Board. (2) Handloom Board (3) Handicrafts Board (4) Coir Board (5) Seri Culture Board, and (6) Small Scale Industries Board.

ESTABLISHMENT OF INDUSTRIAL ESTATES: Industrial estate is place where the required facilities and factory accommodation are provided by the government to the entrepreneurs to establish their industries there.

SETTING UP OF NATIONAL MANUFACTURING COMPETITIVENESS COUNCIL(NMCC): The NMCC suggest a three-pole structure, "one of the effective measures for accelerating manufacturing growth in this segment lies in promoting growth poles or industrial clusters, referred to in the PURA(Provision of Urban Amenities in Rural Areas) context, in the 05-06 union budget speech. The growth poles can cover all three elements of the cluster approach-industrial clusters, artisan clusters and agro-based clusters," The NMCC also

suggests that the time is right for exploring mechanisms of how Indian MSMEs could tie up with MSMEs in developing countries for technology as well as trade.

PRIME MINISTER'S ROZGAR YOJNA (PMRY): It was launched on 2nd October 1993, with the objective of creating one million jobs in 5 years by giving loans for the creation of tiny and micro enterprise.

INDUSTRIAL CLUSTER DEVELOPMENT: An industrial cluster can be defined as sectorial and geographical concentration of enterprises, especially Micro, Small and Medium Enterprises (MSMEs), which have common opportunities and face similar threats.

ASSISTANCE FOR MSME EXPORTS: Following are the assistance to MSME exports:

(a) MSMEs are helped in participating in trade exhibitions. The Govt. would meet the expenses in this regard on space rent, handling and clearing charges, insurance and shipment charges etc.

(b) MSMEs are given triple weight age for being recognized as Export Houses, Trading Houses, Star Trading Houses and Super Star Trading Houses.

(c) Capital Goods Zero Duty Scheme is extended to MSMEs without any conditions.

(d) Marketing Development Assistance is given to MSMEs to facilitate market research, Publicity etc.

OTHER SCHEMES: Important schemes are briefly discussed as below.

(a) Integrated Infrastructural Development Scheme: Under this scheme the Central Govt. would contribute Rs 5 crore in the ratio of 2:3 for the development of industrial infrastructure in rural and backward areas. The objective of the scheme is to promote the location of MSMEs in rural and backward areas and facilitate linkage between agriculture and industry.

(b) Marketing Development Assistance Scheme: MDA is a new scheme launched in August 2001. This scheme provides following five types of assistance:

- 1) Assistance to individuals for participating in overseas trade fairs and exhibitions.
- 2) Assistance to individuals to go on overseas study tours or as a member of a trade delegation going abroad.
- 3) Assistance for production of publicity material for overseas publicity.

- 4) Assistance to small industry association to conduct sector- specific market studies abroad, and
- 5) Assistance to SSI Associations to initiate/contest anti-dumping cases.

(c) Trade Related Entrepreneurship Assistance And Development For Women: TREAD is a scheme for giving trade-related assistance to women entrepreneurs in the form of Loans, grants, trade-related training and information, counseling and extension services.

(d) Preferential Govt. Purchases: It is made compulsory for various govt. departments and agencies to buy their requirements of a number of items from the constituents of the MSME sector.

SMALL INDUSTRIAL DEVELOPMENT ORGANISATION (SIDO)

The SIDO was formed under the Ministry of Industry. It is a policy making, coordinating and monitoring agency for the development of small scale industries. It maintains a close liaison with the government, financial institutions and other agencies which are involved in the promotion and development of small scale units. It provides a comprehensive range of consultancy services and technical, managerial, economic and marketing assistance to the small scale units. It has launched various technology support programs for the benefit of small scale industries in the country through a number of steps. The steps include establishment of (a) process-cum-product development centers, (b) tool rooms and training centers. (c) Specialized institutes and (d) regional testing centers with its field testing stations.

FUNCTIONS OF SIDO

The main functions are co-ordination, industrial development and industrial extension service; other functions are summarized as follows:

- 1) To estimate the requirements of raw material for the small scale sector and to arrange their supply.
- 2) To collect data on consumer items which are imported and encourage the setting up of new units by giving them coordinated assistance?
- 3) To prepare project reports and other technical literature for prospective entrepreneurs.
- 4) To secure reservation of certain products for the SSIs.

NATIONAL SMALL INDUSTRIES CORPORATION (NSIC)

It was set up in 1995 to provide machinery to small scale units on hire purchase basis and to assist these units in obtaining orders from government departments and offices. Its head office is at Delhi. It has four regional offices at Delhi, Mumbai, Chennai and Calcutta. It has eleven branch offices also.

FUNCTIONS OF NATIONAL SMALL INDUSTRIES CORPORATION

Its functions are as follows:

- 1) To develop small scale units as ancillary units to large scale industries
- 2) To impart training to industrial workers.
- 3) To market the product of SSIs at home and abroad.
- 4) To help the small scale industries in procurement of scarce and imported raw material.
- 5) To obtain orders for SSI units from government department and offices.
- 6) To provide machinery to SSI units on hire purchase basis.
- 7) To construct Industrial Estate and establish and run proto-type production-cum-training centers.

TECHNICAL CONSULTANCY ORGANISATION (TCOs)

It was established in different parts of the country to provide consultancy services to small and medium enterprise at reasonable costs. The TCO was established in Kerala(KITCO) in June1972.Functions and activities of TCOs include:

- (a) Industrial potential surveys.
- (b) Preparation of profits and feasibility studies.
- (c) Evaluation of project.
- (d) Conduct of EDPs.
- (e) Assisting in the modernization, technical up gradation and rehabilitation programs etc.
- (f) Undertaking market research and surveys for specific products.
- (h) Offering merchant banking services.

SMALL INDUSTRIES SERVICE INSTITUTES (SISIs)

Small Industries Service Institutes have been established in each state in 1956 as agencies of SIDO. The objective is to develop small scale industries. The functions performed may be summarized as follows:

- 1) It promotes entrepreneurship and development of SSIs in rural and other underdeveloped areas.
- 2) It supplies market information in selected cases and undertakes market distribution surveys for industrial enterprises.
- 3) It conducts various programs for workers in other organizations as well as in small industry in certain trades.
- 4) It assesses the capacities of small units for imported/controlled materials.
- 5) It provides technical guidance on the efficient use of wastages and scraps.
- 6) It prepares designs and drawing for production equipment and accessories.
- 7) It ensures that small industry development in India is being done in right lines.
- 8) It provides workshop common facilities to industrialists at reasonable charges.
- 9) It conducts detailed plant studies to locate production and other problems. It initiates and coordinates modernization of selected industries.
- 10) The institute assists in rehabilitation of sick units.
- 11) It helps to develop ancillary industries. It registers SSI units with NSIC to supply their products to government.
- 12) The institute conducts modernization studies for technology up gradation.
- 13) It undertakes quality control, energy conservation and pollution control, specialized training programs on export marketing.
- 14) The institutes also conduct surveys and studies for identification of industries having scope of promotion and development.
- 15) It advises the Govt. of India and state government on policy matters relating to small industry development.

KHADI AND VILLAGE INDUSTRIES COMMISSION

KVIC makes finance available to the implementing agencies in the form of capital expenditure loans. It also extends assistance for setting up of retail sales outlets and also for strengthening of the capital base of the registered institutions and cooperatives. It also assists individual artisans besides formulating liberal pattern of assistance for identified hill, border and weaker sections. The loans for Khadi are interest free, while those for village industries have an interest at the rate of 4% per annum.

FUNCTIONS OF KVIC

- (1) To train the artisans.
- (2) To assist village industries in procuring raw materials.
- (3) To assist and support through marketing of finished products of village industries.
- (4) To provide equipment and machinery to producers on concessional terms.
- (5) To undertake R and D programmes for improved implements for silk reeling, more efficient extraction of oil in power ghanis, manufacture of panel boards from banana stems and improved 'charka' and looms.

The main thrust of KVIC is to alleviate rural poverty and to make the village artisan more productive through improved technology and market support.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

SIDBI was set up on April 2, 1990 as a wholly owned subsidiary of IDBI. It is operating through its Head Office at Lucknow and a network of 5 Regional Offices and 25 Branch Offices in all the states. It is an apex institution for promotion, financing and development of industries in small scale sector and co-ordination of functions of other institutions engaged in similar activities.

FUNCTIONS OF SIDBI

- 1) Taking steps for technological up gradation and modernization of existing units.
- 2) Providing services like factoring, leasing etc. to industrial concerns in the small scale sector.
- 3) Extending financial support to National Small Industries Corporation for providing leasing hire purchase and marketing support to SSI units.
- 4) Expanding the channels for marketing the products of SSI sector in domestic and international markets.

5) Promoting employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.

6) Refinancing of loans and advances extended by the primary lending institutions to industrial concerns in the small scale sector and also providing resource support to them. It also offers bills discounting and rediscounting facilities. It also has a few schemes of direct assistance.

THE NATIONAL INSTITUTE FOR ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT (NIESBUD)

It is an apex body established in 1983 by the ministry of Industries, Government of India, for coordinating, training 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 Government of India Societies Act started functioning from 6th July, 1983. The policy, direction and guidance to the institute is provided by its governing council whose chairman is the minister of SSI. It has an executive committee.

OBJECTIVES OF NIESBUD

The objectives of the institute include the following:

- ☐ To evolve standardized materials and processes for selection, training, support and sustenance of entrepreneurs, potential and existing.
- ☐ To share internationally, its experience and expertise in entrepreneurship development.
- ☐ To train the trainers, promoters and consultants in various areas of entrepreneurship development.
- ☐ To provide national/international forums for the interaction and exchange of experiences helpful for policy formulation and modification at various levels.
- ☐ To provide vital information and support to trainers, promoters and entrepreneurs by organizing research and documentation relevant to entrepreneurship development.

FUNCTIONS OF NIESBUD

- (a) Evolving effective training strategies and methodology.
- (b) Standardizing model syllabi for training various target groups.
- (c) Formulating scientific selection procedures.

(d) Developing training aids, manuals and tools.

(e) Facilitating and supporting central/state/other agencies in organizing entrepreneurship development programmes.

(f) Conducting training programmes for promoters, trainers and entrepreneurs.

DIC(District industries centre)

Registration to small enterprise

Helps to prepare project report

Assist technical service, procure finance and other inputs and also guides to small enterprise.

COMMERCIAL BANKS

It plays an important role in the growth and development of economy in general and enterprise sector in particular. Commercial Bank in India comprises the State Bank of India (SBI) and its subsidiaries, nationalized Banks, foreign banks and other scheduled commercial banks, regional rural banks and non-scheduled commercial banks. The period for which loan is granted varies from 7 to 10 years. These loans are repayable in half yearly or yearly installments. Most commercial banks have got specialized units in their administrative structure to take care of the financial needs of the small scale industrial units. The fixed capital needs or the long and medium term needs of the small scale industrial units are presently being taken care by the banks under their integrated scheme of credit for the small entrepreneurs. The rate of interest charged normally from the small scale industrial units is between 12% and 15% against 18% from the large scale units.

INCENTIVES AND SUBSIDIES

In India Entrepreneurs are offered a number of incentives because they fulfill two main objectives of economic development. Firstly, they facilitate decentralization of industries. They assist in the dispersal of industries over the entire geographical area of the country. Secondly, they facilitate the transformation of a traditional technique into modern technique characterized by improved skills, high production and higher standard of living.

INCENTIVES

It is the financial and promotional assistance provided by the government to the industries for boosting up industrial development in all regions particularly in backward areas. Incentives include concession, subsidies and bounties.

'Subsidy' denotes a single lump-sum which is given by a government to an entrepreneur to cover the cost. It is granted to an industry which is considered essential in the national interest. The term Bounty denotes bonus or financial aid which is given by a government to an industry to help it compete with other units in home market or in a foreign market. Bounty offers benefits on a particular industry; while a subsidy is given in the interest of the nation. The object of incentives is to motivate an entrepreneur to start new ventures in the larger interest of the nation and the society.

ADVANTAGES OF INCENTIVES AND SUBSIDIES

They offer following advantages:

- ☐ They act as a motivational force which makes the potential entrepreneur to enter into business activities.
- ☐ They encourage the entrepreneur to start industries in the backward areas.
- ☐ They help the government to get a balanced regional development.
- ☐ They help to develop new enterprises which lead to economic development.
- ☐ They make the entrepreneur to face competition successfully.
- ☐ They help to reduce the overall problems of small scale entrepreneurs.

NEED FOR INCENTIVES AND SUBSIDIES

The need for incentives and subsidies arises for the following reasons:

- 1) To Remove Regional Disparities in Development: Industries may be concentrated and overcrowded in some regions, in order to correct this regional balance, incentives are provided to entrepreneurs. They will start new ventures in such backward areas. Thus the backward areas become developed and regional imbalances are corrected.
- 2) To Provide Competitive Strength, Survival and Growth: several other incentives are provided for the survival and growth of industries. For example, reservation of products, price preference etc. will improve the competitive strength. Other concessions like concessional finance, tax relief etc., contribute their survival and growth.
- 3) To Generate More Employment and Remove Unemployment: Market adjustments and external economies play a significant role in the economic development of a country. Subsidies cause movement of entrepreneurs from developed areas to developing or

backward areas. In short, incentives and subsidies serve as a catalyst to start a dynamic process of development.

4) To Promote Entrepreneurship: Industrial estates, availability of power, concessional finance, capital investment subsidy, transport subsidy etc, are few examples of subsidies which are aimed at encouraging entrepreneurs to take up new ventures.
