

ENTREPRENEURIAL DEVELOPMENT

MCOM II YR

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1.MEANING OF ENTREPRENEURSHIP

- Entrepreneurship is the process of designing, launching and running a new business, which is often initially a small business.
- The people who create these businesses are called entrepreneurs.
- Entrepreneurship has been described as the "capacity and willingness to develop, organize a business venture along with any of its risks in order to make a profit

DEFINITIONS

- **Joseph A. Schumpeter:**
- He defined “entrepreneur as an individual who carries out new combines of means of production by which there occurs disequilibrium.”
- He further stated that the key individuals in development are the entrepreneurs who are especially motivated and talented class of people. They foresee the potentially profitable opportunity and try to exploit it. According to him, entrepreneur is basically an innovator and innovator is one who introduces new combinations.

- **Innovations may occur in the following forms:**
- (a) The introduction of new good-that is one which consumers are not yet familiar or of a new quality of a good.
- (b) The introduction of a new method of production that one not yet tested by experience in the branch of manufacture concerned which need by no means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially.
- (c) The opening of a new market that is a market into which the particular branch of manufacture of the country in question has not previously entered whether or not thus market has existed before.:

- acquiring of new sources of supply of raw material or semi-finished goods;
- 5. new industry structure such as the creation or destruction of a monopoly position.
- According to Say An **entrepreneur** is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. The **entrepreneur** is commonly seen as an innovator, a source of new ideas, goods, services, and business/ or procedures

ELEMENTS OF ENTREPRENEURSHIP

- The two basic elements of entrepreneurship from the above definitions are as follows
- 1. Innovation
- 2. Risk bearing
- **Innovation**
- Innovation, i.e. doing something new or something different is a necessary condition to be called

- a person as an entrepreneur. The entrepreneurs are constantly on the lookout to do something
- different and unique to meet the requirements of the customers. They may or may not be
- inventors of new products or new methods of production but they possess the ability to foresee
- the possibility of making use of the inventions for their enterprises.

- definitions of entrepreneurship typically focus on the launching and running of businesses, due to
- the high risks involved in launching a start-up, a significant proportion of start-up businesses
- have to close due to "lack of funding, bad business decisions, an economic crisis, lack of market
- demand or a combination of all of these.

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- Innovation is the process of doing new things. This distinction is important. While creativity relates to the ability to conceive, the innovation is doing new things. Ideas have little value until they are converted into useful products or services. Innovation transforms creative ideas into useful applications. Hence, creativity is a pre-requisite to innovation.

- **Risk bearing**

- Entrepreneur has the propensity of mind to take calculated risks with confidence to achieve a predetermined business or Industrial objective.
- The capacity to take risk independently and individually with a view to making profits and seizing the opportunity to make more earnings in the market-oriented economy is the dominant characteristic of modern entrepreneurship.

In fact he needs to be a risk taker, not risk avoider. His risk bearing ability enables him even if he fails in one ;

- Entrepreneurship is a process in which the entrepreneur establishes new jobs and firms, new Creative and growing organizations associated with risk – taking by new and creative ideas and

- Entrepreneurship is capable of identification of the new opportunities and resources mobilization. It results in introducing a new product or service to society. In Britain encyclopedia entrepreneur means “a person who organizes and manages a job or economic association and receives its risks”
- The Japanese proverb says “Fall seven times, stand up eight”.

- Though the term entrepreneur is often used interchangeably with entrepreneurship, yet they are conceptually different. The relationship between the two is just like the two sides of the same coin.
- Thus, entrepreneurship is concerned with the performance and co-ordination of the entrepreneurial functions. This also means that entrepreneur precedes entrepreneurship

- **DETERMINANTS OF ENTREPRENEURSHIP:**
- **1) Business idea issues**
- It takes experience to be able to tell whether a business idea is good or not. It also takes some reasoning about what it means for a business idea to be good.
- For example, building a Google search engine was a good idea in the 1990s, but 99.99% of the population could not execute that idea to the level of quality that would have been required., opening a restaurant may be a good business idea for some people, but not for most.

- So a business idea has to be highly personalized to the entrepreneur to take advantage of his abilities, interests, passions, education, access to capital, connections, and much more.
- Quite often, first time entrepreneurs also make the mistake of trying to go too big with the idea right away. Some of the common business idea mistakes are to try to open more than one business at once, or try to open a business that would require millions of dollars when they only have access to a few thousand dollars with which they can realistically start.

It is good to have ambition, but some small wins are needed in order to build on them and go bigger

- **2) Lack of finance**
- Nearly every entrepreneur, has faced this issue at some point. While some businesses can be bootstrapped (operated without a cash injection), most businesses will need a cash injection of some sort to help it get the resources it needs.

- In the technology space, people often over focus on investors. But investors are not the only option. In addition to possibly getting an investment, people can try to get donations via crowd funding or various fundraisers, loans, or grants.
- You can also consider using a funding company like Universal Funding to increase your cash flow.
- If cash flow is a critical concern, invoice factoring can help speed up the accounts receivable process for some business operators.
- The topic

The topic of raising money is complex.

- **3) Inability to market their business**
- Another common difficulty people face is not having a great idea of how to market and promote
- their business. Too often people's idea of a marketing strategy is to post about their business on
- Facebook, hand out flyers and business cards. While those things are ok to do, a marketing
- strategy must absolutely be much more refined, savvy, and cover many more options.

- Each business needs to have a marketing plan that suits the uniqueness of that business and speaks to the target customer for that business. Topics of understanding your target consumer and creating a marketing strategy that best suits your business are more fully covered within the
- Marketing, Social Media and Blogging categories here on The Social Media Hat.
- **4) Not knowing how to plan the business**
- Business planning has been getting negative attention in the technology space in recent years, and I do not advise people to write a formal business plan unless that is a requirement by

- someone or some institution. The true value of business planning is to identify the challenges and
- pitfalls and plan around them before they happen, rather than getting blindsided by them when
- In other words, business planning is a way to view the business in a holistic way to help you
- align the vision for the product that delights the identified target audience, goes after a big enough

- market with an effective-enough strategy to earn revenue and turn a profit.
- **5) Legal questions**
- Lastly, most entrepreneurs struggle with understanding three key legal themes:
 - 1. How they should structure the business when incorporating.
 - 2. The licences and permits required by their city, county, state and country.
 - 3. The level of protection needed for the business in terms of patents, copyrights and
 - trademarks.

- **IMPORTANCE OF ENTREPRENEURSHIP:**

- Entrepreneurship is important because it results in the creation of employment, improved national income, community development while facilitating research and development.
- Moreover, entrepreneurship promotes innovation, which may lead to social change and better living standards.

- **Creation of employment**

- Entrepreneurship firms are one of the largest employers in the world. Small business ventures often provide entry-level jobs and experience for young talents. In addition, the availability of job opportunities increases consumer spending and hence improves the standards of living.
- Moreover, the introduction of new goods and services can have a ripple effect on the economy by stimulating the growth of related industries. This in effect results in economic development and creation of employment. For example, the invention of smartphones resulted in job creation
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- in various industries such as retail outlets, phone repair, Internet service provision, software
- development and manufacturing.
- **Improved national income**
- New and improved products, services and technology facilitate the development of new markets
- in the economy. This translates to more employment opportunities and higher income thus
- resulting in the collection of more taxes. Increased revenue collection by the government may
- lead to better service delivery, improved security, and infrastructural development

- **Innovation and social change**
- Entrepreneurship goes beyond research and discovery by commercializing innovation for the
- greater benefit of the society. Through the provision of unique solutions, entrepreneurs break
- away from tradition and hence reduce dependence on obsolete systems and technologies. This
- results in improved quality of life, economic freedom and greater morale for further innovations.
- For example, the development and commercialization of electric cars may help to reduce carbon
- emissions and, in essence, manage climate change.
- **Improved productivity**
- Entrepreneurship may lead to the development of better methods of production. It enables

- maximum use of resources, reduces wastage and enables the free flow of labor and raw
- materials. In this regard, entrepreneurship promotes production efficiency thus resulting in
- improved productivity. For example, through entrepreneurship, the assembly line was
- conceptualized and developed. This enabled division of labor and specialization and led to
- improved industrial productivity.
- **Community development**

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- Entrepreneurs often nurture entrepreneurial ventures by other like-minded individuals. In addition, they invest in community development projects and local charities in a bid to promote economic development. For example, famous entrepreneurs like Mark Zuckerberg and Bill Gates invest heavily in education, public health and several charities. This sets an example for other upcoming entrepreneurs who would follow suit when they become successful people in the society.

- **Promotes research and development**

- Since entrepreneurship may need innovation, innovative ideas of goods and services have to be tested by experimentation. In this regard, businesses and entrepreneurship firms provide universities and research institutions funds for research and development. Funding of such institutions is important for comprehensive research and nurturing of ideas.
- Prepared by

- **Political and economic integration**
- The idea of a plural society can only be achieved if all stakeholders are involved in nationbuilding.
- In this regard, entrepreneurship is an avenue for minorities and migrants to be included
- in the economy. Such integration of different groups in the society is essential for economic
- development, political stability and social harmony.

- **CREATIVE BEHAVIOUR:**

- **MEANING:**

- Creative behavior possessing an element of newness, novelty and difference.
- Creativity is an act, an idea, or product that changes an existing domain, or that transforms an
- existing domain into a new one, and creative person is who thoughts or actions bring these
- changes.

- **IMPORTANCE OF CREATIVE BEHAVIOUR:**

- 1. A creative process is a balance of imagination and analysis. It involves idea generation,
- analysis and evaluation.

- 2. Creativity does not stem from subconscious process, as traditionally believed by the classic school of thoughts. It is a purposeful or directed attempt to generate new ideas under a controlled situation to help an organization to leapfrog in competition.
- Paul E. Plsek (1997) used the term more appropriately as 'Directed Creativity'. It is a purposeful generation of creative ideas with seriousness of its implementation, whenever it matches with organizational requirements.

- Non-implementation of at least some ideas (that fit the purpose) will inhibit creativity.
- Innovation is the implementation of creative ideas. Therefore, creativity is the sub-set of innovation. Innovation being a holistic concept, here we prefer to use the term interchangeably.
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- abilities, and attributes.

- Competencies are measurable and they change over time. Hamel and Prahalad (1990) attributed
- business success only on innovative creativity, knowledge resources, and the expertise, which
- together create the critical potential of an organization, that is, the core competencies.
- Other proponents of core competencies such as Quinn (1992), Drucker (1992), Porter (1995),
- Waterman (1983), Peter (1988), Nonaka and Takeuchi (1955), and Senge (1990), also showed
- that developing the core competencies helps an organization to build its strategic power. The
- core competencies are difficult to duplicate by the competitors because of their distinctiveness.

- Core competencies are, therefore, critical success factors for any organization.
- Although there exists, widespread differences regarding constituents of core competencies and
- its relation with knowledge, skill, abilities, and attributes of employees, there is agreement
- among the proponents about how these are created by linking the organization's goals,
- structures, and cultures.

- **ENTREPRENEURSHIP AND CREATIVE RESPONSE TO THE SOCIETY:**

- **1. Entrepreneurial thinking challenges tradition**

Innovation and creativity help to develop the core competencies, supplementing knowledge and skill base for the employees. In this respect, directed creativity, that is, purposeful generation of new ideas matching the organizational requirements is more relevant.

- Innovation, creativity, and competencies are important facilitators for organizational change. Imperatives for organizational change basically stem from redefining the business focus,, and customer orientation—all for competitive advantages.

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- The most successful social entrepreneurs challenge themselves to be open-minded and approach problems with a filter that is void of established tendencies and stigmas.
- They are unconventional thinkers, not limited by the constraints of the systems in place, but instead challenge those systems with fresh ideas and techniques.
- Entrepreneurs leverage research and data-driven analysis to account for factors and variables that existing solutions may have overlooked. Their ability to challenge commonly assumed principles or beliefs ushers in a completely new way of thinking.

- For example, when Maria Vertkin began Found in Translation, she strove to address two distinct social problems: economic disadvantages faced by minority women, and racial, ethnic, and linguistic disparities in health care.
- Rather than take the conventional route of providing jobs or vocational training for women, or advocating for improved justice in the health care system, Vertkin challenged traditional thinking.

- She recognized the reality that many low-income communities are rich in bi-lingual talent. Coupled with the fact that the medical interpreter workforce is struggling to keep up with the growth of the immigrant population .
- She created a program that makes it possible for multilingual women with limited financial resources to break into the field of medical interpreting variables that existing solutions may have overlooked.
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- **2. Entrepreneurial thinking combines creativity with market intelligence.**
- Entrepreneurial thinking naturally embodies creativity, a boundless imagination as to what is possible. But the most successful entrepreneurial endeavors to balance creative solutions with comprehensive market intelligence

- . Knowledge of the problem and contributing factors
- empowers entrepreneurs to blend dissimilar concepts from different contexts and craft a new,
- differentiated or completely unique strategy.
- For example, when Earth Enable witnessed that 80% of Rwandans live in homes with dirt floors
- and that these dirty floors were a major contributing factor to child mortality in the country, they
- had to get creative with their strategy. A concrete floor would suffice, but a majority of

- Rwandans cannot afford to install that material.
- They sought inspiration from a growing movement in the US, witnessing homeowners installing
- sustainable earthen floors in their homes. EarthEnable created a floor made of gravel, laterite,
- fine earthen mix, and oil that is both affordable and safe for children in Rwanda. Healthy floors
- have been shown to reduce incidence of childhood diarrhea by 49% and to reduce parasitic
- infections by 78% in the country.

- **3. Entrepreneurial thinking practices humility.**

Humility is a core component of entrepreneurial thinking. It drives even the boldest leaders to

challenge their own established tendencies and recognize their potential for continual

- improvement. Successful entrepreneurs strive for perfection, obsess over learning and iteration
- and recognize that they can always do better.
- “Confronting the hardest problems on the planet requires humility to admit that we don’t know
- many answers when we start and sometimes we don’t even know the right problem to work on.

- If we address symptoms rather than root causes, we can exacerbate conditions. If you start with
- the wrong problem, you'll certainly propose the wrong solution.”
- – Aleem Walji, Director, Innovation Labs, The World Bank
- For example, a major aspect of the Pencils of Promise initial strategy was building schools to
- address a lack of access to education for children in Laos. The organization quickly became
- known for building hundreds of school around the world. But over time and through their lessons
- learned, they recognized that the physical structure of a new school is only one piece of providing
- quality education. As a result, Pencils of Promise is starting to shift its narrative to incorporate a
- more holistic approach, one that includes a deeper focus on teachers, student outcomes and
- innovation in the classroom.
- **4. Entrepreneurial thinking embraces risk and failure.**
- The social sector has never taken failure lightly – funding protocols, public perception and the

- But ideas that drive dramatic change are inherently risky propositions and they present the
- potential to fail. Entrepreneurial thinking acknowledges that uncertainty and accepts it as a
- necessary driver of progress.
- A number of organizations run by entrepreneurial-minded leaders have pioneered new ideas that
- put them at risk for huge potential losses. For example, the Prison Entrepreneurship Program and

- Defy Ventures took bets on the potential of ex-convicts to become savvy business leaders.
- Immigration Equality and Scouts for Equality confronted deeply-rooted biases and traditions within and against the LGBT community. Partners in Health traveled to an unfamiliar and undeveloped world to build a medical hospital. Invisible Children lead a fight against a warlord by mobilizing millennials and Liberty in North Korea facilitates the transition of refugees from North Korea to South Korea. These missions are big and bold and dangerous, but the reward is far worth the risk.

- **5. Entrepreneurial thinking is BIG.**
- Big problems require big solutions. Entrepreneurs are driven by a “go big, go home” mentality in everything they do, and that is why entrepreneurial thinking is needed more today than ever before. Incremental change is not sufficient, they demand monumental change towards an audacious endgame.
- “I’m not going to stop the wheel. I’m going to break the wheel.” For example, when UN Secretary General Ban Ki-moon launched the Zero Hunger Challenge in 2012, the global community was forced to think big. The Challenge was a call-to-action to governments, the private sector, NGOs and the public to eliminate hunger in our lifetimes.

- Organizations like the Alliance to End Hunger, the Global Alliance for Improved Nutrition, One Acre Fund, World Food Programme, World Vision, and several UN agencies and departments, all stepped up to scale their effort.
- The stated goal of “zero hunger” is audacious, but as World Food Programme’s Executive Director Ertharin Cousin said: “You should not do this work if you’re not audacious.”

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University)

Under Section 3 of UGC Act 1956

Pollachi Main Road, Eachanari Post, Coimbatore - 641 021

SUBJECT: Entrepreneurship

SEMESTER: II

SUBJECT CODE: 18CCP402

CLASS: II MCom

UNIT - II

S.NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4	ANSWER
1	The factor _____ is probably the most prevalent reason for mergers.	Taxation	Economies of scale	Inflation	Mergers	Economies of scale
2	A _____ merger is a combination of two firms producing the same products but selling them in different geographic markets.	Diversified Activity Merger	Product Extension Merger	Vertical Merger	Market Extension Merger	Market Extension Merger
3	One of the most frequent reasons an entrepreneur forms a joint venture is to share the _____.	Resources	Cost	Cost and risk of a project	Profit	Cost and risk of a project
4	_____ involves having a foreign purchaser in the local market or using an export management firm.	Direct Exporting	Indirect Exporting	Management Contracts	Turn-Key Projects	Indirect Exporting
5	A manager gets salary as his _____.	Reward	Wage	Freight	Materials	Reward
6	_____ is an entrepreneurial type who quickly identifies new promising business opportunities but rarely, if ever, follows through on the opportunity to create a successful new venture.	Simplicity Sue	Shotgun Sam	Hidden Agenda Harry	Inventor Irving	Shotgun Sam
7	One study found that the typical minority business owner was the	Oldest child in a blue-collar family and marrie	Oldest child in a white-collar family and marrie	Youngest child in a blue-collar family and marrie	Youngest child in a white-collar family and marrie	Oldest child in a blue-collar family and marrie

8	Traditional managers are:	Deals with mistakes and failures	Tries to avoid mistakes and surprises	Attempts to hide risky projects from view until ready	None of the given Options	Tries to avoid mistakes and surprises
9	Entrepreneurs are:	Moderate risk taker	High risk taker	Avoidance	Both b and c	Moderate risk taker
10	Risk decisions are often postponed until	Hard facts can be gathered or a consultant hired to illuminate the unknown.	Hard facts can be gathered or an auditor hired to illuminate the unknown.	There is no need to gather facts and hired a consultant/auditor	None of the given options	Hard facts can be gathered or a consultant hired to illuminate the unknown.
11	_____ is one method of stimulating, and then capitalizing on, individuals in an organization who think that something can be done differently and better.	Strategic Orientation	Capitalization	Intrapreneurship	Management	Intrapreneurship
12	The motive of entrepreneur is to start a_____.	capital	venture	Budget	Plan	
13	Female entrepreneurs normally start their venture at the age of _____ years.	35-45	25-30	20-25	40-45	35-45
14	Male entrepreneurs normally start their venture at the age of _____ years.	20-25	25-35	40-50	After the age of retirement.	25-35
15	The _____ is the process through which innovation develops and commercializes through entrepreneurial activity, which in turn stimulates economic growth.	Product-evolution process	Technological innovations	Breakthrough innovations	None of the given options	Product-evolution process
16	A _____ is a type of company formed from research and development that usually does not go publi	Foundation	Life-Style Firm	High-Potential Venture	Both b and c	Foundation
17	_____ involve such things as writing, listening, oral presentations, coaching and technical know-how.	Business Management skills	Personal entrepreneurial skills	Technical skills	None of the given options	Technical skills
18	The _____ means to do things in his or her own way and time.	Need per independence	Need for achievement	Personal values	Ethics	Need per independence

19	_____ is a reason or set of reasons for engaging in a particular behavior, especially human behavior.	Moral value	Act	Motivation	None of the options	Motivation
20	The _____ plan shows whether the business is economically feasible or not.	Financial	Business	Economic	Marketing	Business
21	In which of the following, the ownership of venture is reflected by ownership of shares of stock?	Partnership	Limited partnership	Corporation	Proprietorship	Corporation
22	A manager is the _____ of enterprise.	creator	Servant	devisor	Owner	Servant
23	The term Intrapreneur is coined in _____	America	Andaman	Australia	Antarctica	America
24	Project over run is a frightening _____ facing India	financial problem	resource problem	economic problem	research problem	economic problem
25	Small industries need financial _____	assistance	attitude	aptitude	analyze	assistance
26	Bankers say that most businesses fail because of the _____ inability to plan properly.	Investor's	Marketer's	Entrepreneur's	Consultant's	Entrepreneur's
27	The _____ of a venture could be that the company has experience in related business.	Strength	Weakness	Opportunity	Threat	Strength
28	The marketing plan should focus on strategies and for the first year, goals and strategies should be projected _____.	Daily	Weekly	Monthly	Quarterly	Monthly
29	Which of the following is not a characteristic of marketing plan?	It should provide a strategy to accomplish the company mission	It should provide for the use of existing resources	It should be simple and short	It should be rigid	It should be rigid
30	Secondary data can be obtained from all of the following sources, except:	Internet	Magazine	Bureau of statistics	Focus group	Focus group

31	Which of the following is one of the simplest form and lowest in entry costs.	Direct mail marketing	Online marketing	Sales promotion	Export marketing	Direct mail marketing
32	In _____, the death of entrepreneur results in the termination of venture.	Proprietorship	Limited company	Limited partnership	Corporation	Proprietorship
33	In partnership, the ability to raise capital depends on the _____ of the business.	Expansion	Success	Size	Nature	Success
34	Which of the following is NOT recognized an important component to organizational vision?	The vision should be built on a foundation of the organization's core values and beliefs.	The vision should elaborate a purpose for the organization.	The vision should include a brief summary of what the organization does.	The vision should specify detailed and short-term goals.	The vision should specify detailed and short-term goals.
35	Which of the following components of organizational vision and mission statements tells how the organizational unit is responsive to societal, community, and environmental issues?	Customer	Market	Self-Concept	Concern for public image	Concern for public image
36	Which of the following dimensions of organizational culture describes the degree to which employees are expected to do their jobs with precision, thorough analysis, and attention to detail?	Innovation and risk-taking	Team orientation	Aggressiveness	Attention to detail	Attention to detail
37	Which of the following does NOT represent a method through which organizational culture is learned?	Stories	Conflict	Rituals	Material symbols	Conflict
38	Which of the following is NOT recognized as an important purpose of a business plan?	Development tool for organizational founders	Vision and mission clarification	Planning and evaluation guidelines	All of the selections are recognized as important purposes of a business plan.	All of the selections are recognized as important purposes of a business plan.

39	All of the following are recognized as criticisms of planning EXCEPT:	Planning may create rigidity	Planning focuses entrepreneurs' attention on tomorrow's survival but not today's competition	Plans can't be developed for a dynamic environment	Formal planning reinforces success, which may lead to failure	Planning focuses entrepreneurs' attention on tomorrow's survival but not today's competition
40	Which of the following is NOT recognized as a major area that should be included in a business plan?	Executive summary	Corporate culture differences	Analysis of the opportunity	Analysis of the context	Corporate culture differences
41	Which of the following does NOT relate to the analysis of opportunity section of a business plan?	Sizing up the market by describing the demographics of the target market	Analyzing current and proposed and governmental rules and regulations that might potentially have an impact on the entrepreneurial venture.	Describing and evaluating industry trends	Identifying and evaluating competitors	Analyzing current and proposed and governmental rules and regulations that might potentially have an impact on the entrepreneurial venture.
42	All of the following are important elements of the financial data and projections section of a business plan EXCEPT:	SWOT analysis	Projected income statements	Break-even analysis	Cost controls	SWOT analysis
43	Which of the following is NOT an important characteristic when writing a business plan?	Clear, realistic financial projections	Detailed market research	Brief summary since the investor is more interested in the details in the business plan.	Proof of vision	Brief summary since the investor is more interested in the details in the business plan.
44	A(n) _____ is a form of organization in which the owner maintains complete control over the business and is personally liable for business debts.	Sole proprietorship	General partnership	corporation 5	Limited liability company	Sole proprietorship
45	A(n) _____ is a form of business organization in which two or more business owners share the management and risk of the business	Limited liability company	General partnership	Corporation	Sole proprietorship	General partnership

46	A(n) _____ is a form of business organization in which there are general partners and limited liability partners.	Sole proprietorship	General partnership	Limited liability partnership	Corporation	Limited liability partnership
47	A(n) _____ is a legal business entity that is separate from its owners and managers.	Sole proprietorship	General partnership	Corporation	Limited liability company	Corporation
48	A(n) _____ is a form of legal protection for a distinctive word, name, phrase, logo, symbol, design, slogan, or any combination of these elements.	Trademark	Patent	Contract	Procedure	Trademark
49	Which of the following is NOT one of the three different types of patents?	Utility patent	Design patent	Plant patent	All of the selections if a valid type of patent.	All of the selections if a valid type of patent.
50	Which of the following is recognized as the most common type of patent?	Utility patent	Design patent	Plant patent	Cultural patent	Utility patent
51	All of the following are signals of potential decline in organizational performance EXCEPT:	Poor communication within the organization	Intolerance of work incompetence	Fear of conflict and taking risks	Negative cash flow	Intolerance of work incompetence
52	All of the following are recognized as important people practices of successful organizations EXCEPT:	Employment security	Selective hiring	Increased status differences	Training	Increased status differences
53	Which of the following is NOT a characteristic of an effective team?	External support	Clear goals	Irrelevant skills	Mutual trust	Irrelevant skills
54	In brainstorming	No criticism is allowed	Quantity of ideas is desired	None of the mentioned options	Both of the mentioned options	Both of the mentioned options
55	_____ is the life blood of enterprise.	Finance	cash	Loan	Credit	Finance
56	Most of the Women are _____ in India.	literate	strong	illiterate	weak	literate
57	A technique that asks questions about objects or ideas in an effort to develop a new idea is	Heuristics	Matrix charting	Forced relationships	Attribute listing	Forced relationships

58	The solution development is	Big-Dream approach	Parameter Analysis	Creative synthesis	None of the above	Creative synthesis
59	Perceived benefits /risks involve the following factors:	Utility to customer	Consumption habits	Buying motives	All of the above	All of the above
60	A patent is	A document between government and an inventor	Grants holder protection from others making, using, or selling similar idea	A public domain	None of the above	Grants holder protection from others making, using, or selling similar idea

MICRO, SMALL AND MEDIUM ENTERPRISES

Small businesses are playing an important role in the industrial economy of the world. These are particularly important in the developing economies. Small business is predominant even in developed countries such as USA, Japan etc.

THE MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) DEVELOPMENT ACT, 2006

Under this act, the central Government shall set up, for the purpose of the act, a Board known as the National Board For Micro, Small and Medium Enterprises.

CLASSIFICATION OF ENTERPRISES (NEW DEFINITIONS) 1. In Case of Manufacturing Enterprise:

(a) A *micro enterprise* is one in which the investment in plant and machinery does not exceed Rs.25 Lakhs.

(b) A *small enterprise* one in which the investment in plant and machinery is more than Rs.25 Lakhs but does not exceed Rs. 5 crores.

(c) A *medium enterprise* is one in which the investment in plant and machinery is more than Rs. 5 crores but does not exceed Rs. 10 crores.

2.In Case of Service Enterprise:

(a) A micro enterprise is one in which the investment in plant and machinery does not exceed Rs. 10 lakhs.

(b) A small enterprise one in which the investment in plant and machinery is more than Rs. 10 lakhs but does not exceed Rs. 2 crores.

(c) A medium enterprise is which the investment in plant and machinery is more than Rs. 2 crores but does not exceed Rs. 5 crores.

ANCILLARY UNITS

These units provide inputs to other industries. These are engaged in the manufacture of parts, components, light engineering products like cycles, sewing machines diesels engines, machine tools, electrical application. The investment in plant and machinery should not exceed Rs. 5 crores.

EXPORT ORIENTED UNIT

Export oriented units are those SSI units which export at least 30% of its annual production by the end of the 3th year of commencement of production.

CHARACTERISTICS OF MSMEs

The important characteristics of MSMEs are summarized as follows:

- ✓ They are generally organized and run by individual entrepreneurs.
- ✓ They require less capital.
- ✓ They are fundamentally labour-intensive units facilitating greater utilization of man power.
- ✓ They involve the use of simple technology, intensive utilization of individual skill leading to professional specialization.
- ✓ They cater the individual tastes and fashions and render personalized service to consumers.
- ✓ They are highly localized industries. Using local resources MSMEs are decentralized and dispersed to rural areas.
- ✓ They are eligible for govt. assistance and patronage and for concessional finance by banks, financial institutions etc.
- ✓ They are flexible to a large extent. They are more susceptible to change and highly reactive and receptive to socio-economic conditions.
- ✓ They are free from red-tapism and bureaucratic handicaps.
- ✓ Compared to large units, a MSME has a lesser gestation period. ie, the period after

which the on investment starts.

OBJECTIVES OF MSMEs

- The primary objectives of MSME are to play a complementary role in the socio-economic set up of a country. The other objectives are as follows:
- To provide increased employment opportunities.
- To provide production of large variety of goods especially consumer goods through labour- intensive methods.
- To bring backward areas too in the mainstream of national development. To improve the level of living of people in the country.
- To create a climate for the development of self-employed experts, professionals and small entrepreneurs.
- To ensure more equitable distribution of national income. To ensure balanced regional development as regards industries.
- To encourage the adoption of modern techniques in the unorganised traditional sector or the industry.

ADVANTAGE OF MSMEs

- 1) They are relatively more environmental friendly.
- 2) They are generally based on local resources.
- 3) They provide ample opportunities for creativity and experimentation.
- 4) They facilitate equitable distribution of income and wealth.
- 5) MSME enjoys the government support and patronage.
- 6) These helps in the balanced regional development.
- 7) It is possible to make necessary changes as and when required.
- 8) These help in reducing prices.
- 9) There is a close and direct personal contact with the customer and employees.

10) They create more employment opportunities. They are labour intensive. They offer ample scope for self employment.

11) They require only less capital. It is a boon to a country like India where capital is deficient.

12) MSME alone can satisfy individual tastes and offer personalized service to the customers.

DISADVANTAGES OF MSMEs

- ➤ MSMEs suffer from lack of funds. They are financially weak.
- ➤ They suffer from lack of managerial and other skills. They cannot employ highly paid officials.
- ➤ MSMEs always face tough competition from large businesses.
- ➤ They are not well equipped to make advantage of the latest technology and modern methods.
- ➤ There is only a little scope for division of labour and specialization.
- ➤ MSMEs cannot afford to spend large sums of money on research and experiments
- ➤ They cannot survive in times of adversity.
- ➤ They cannot secure cheap credit.

• ROLE/ IMPORTANCE OF MSMEs IN DEVELOPING COUNTRIES

1) Large Employment Opportunities: MSMEs are generally labour-intensive. For every Rs. 1 lakh of fixed investment, MSME sector provides employment for 26 persons as against 4 persons in the large scale sector. Thus in a country like India where capital is scarce and labour is abundant, MSMEs are especially important.

2) Economical Use of Capital: MSMEs need relatively small amount of capital. Hence it is suitable to a country like India where capital is deficient.

3) Balanced Regional Development: Generally small enterprises are located in village and small towns. Therefore it is possible to have a balanced regional growth of industries. India is a land of villages.

4) Equitable Distribution of Income And Wealth: It removes the drawbacks of capitalism, abnormal profiteering, concentration of wealth and economic power in the hands of few etc.

5) Higher Standard of Living: MSMEs bring higher national income, higher purchasing power of people in rural and semi-urban areas.

6) Mobilization of Locals Resources: The spreading of industries even in small towns and villages would encourage the habit of thrift and investment among the people of rural areas.

7) Simple Technology: New but simple techniques of production can be adopted more easily by MSMEs without much investment.

8) Less Dependence on Foreign Capital: MSMEs use relatively low proportion of imported equipment and materials. The machinery needed for these industries can be manufactured within the country.

9) Promotion of Self Employment: MSMEs foster individual skill and initiative and promote self-employment particularly among the educated and professional class.

10) Promotion of Exports: With the establishment of a large number of modern MSMEs in the post independence period, the contribution of the small scale sector in the export earnings has increased much.

11) Protection of Environment: MSMEs help to protect the environment by reducing the problem of pollution.

12) Shorter Gestation Period: In these enterprises the time-lag between the execution of the investment project and the start of flow of consumable goods is relatively short.

13) Facilitate Development of Large Scale Enterprises: MSMEs support the development of large enterprises by meeting their requirements of inputs of raw

materials, intermediate goods, spare parts etc. and by utilizing their output for further production.

PROBLEMS OF MSMEs

Some of the more important problems faced by MSMEs are as follows:

1) LACK OF MANAGERING EXPERIENCE: They may not be having specialised knowledge in the different fields of management. At the time of initiating the project, they are not in a position to anticipate correctly their financial requirements and the size of market for their products.

2) INADEQUATE FINANCE: Generally MSMEs are not in a position to arrange full finance from their own sources. They obtain finance from unorganized finance sector at higher rate of interest.

3) LACK OF PROPER MACHINERY AND EQUIPMENT: Many MSMEs use inefficient and outdated machinery and equipment. This affects the quality of production.

4) LACK OF TECHNICAL KNOW-HOW: Do not have the knowledge about different alternative technologies and processes available for manufacturing their products to improve the quality of products and reduce costs.

5) RUN ON TRADITIONAL LINES: They have not yet adopted modern methods and techniques of production. They have not taken adequate interest in research and development efforts. Hence they cannot be run efficiently.

6) IRREGULAR SUPPLY OF RAW MATERIALS: The majority of MSMEs depends on local sources for their raw material requirements. Small entrepreneurs are forced to pay high prices for materials because they purchase materials in small quantity.

7) PROBLEM OF MARKETING: The brand name of the products of MSMEs is acute due to tough competition from large industries. It cannot afford to costly

advertisement and network of distribution system. There are delays in the payment of bills by large purchasers resulting in inadequate working capital.

8) PERSONNEL PROBLEMS: It is difficult for them to get qualified persons to run the business. They cannot provide much training facilities to employees.

9) LACK OF CLEAR-CUT POLICY OF THE GOVT: The Govt. may take decisions relating to MSMEs on the basis of political consideration rather than on economic consideration.

10) BOGUS UNITS: The government should look into this aspect seriously, break the strong hold of such vested-interested and promote only genuine entrepreneurship in the country.

11) OTHER PROBLEMS: Like inefficient management, non-availability of cheap power, burden of local taxes etc.

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 Kerala 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 Licence:** Any person should obtain the following licences and certificates before starting the venture:

(A) Licence from Local Bodies For

- (1) Construction of the building.
- (2) Installation of plant and machinery.

(B) Licence 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 include 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 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.

GOVT. REGULATORY FRAMEWORK FOR MSMEs

The govt. has two roles to play regulatory role and protective role. Govt. regulates as well as protects small business. It plays the regulatory role by imposing certain restriction and formalities on small business. It provides assistance and support to small business.

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 centres. To provide different services and support to village and small entrepreneurs under a single roof, 422 Districts Industries Centres (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 re- discounting 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.

RESERVATION OF ITEMS: As per the policy certain items have been exclusively reserved for manufacturing in the MSME sector. The objective is to protect MSMEs engaged in the manufacturing of such items from the competition of medium and large- scale units.

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) Sericulture 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.

PENALTIES FOR DELAYED PAYMENTS TO MSMEs: The Govt. has enacted the interest on delayed Payments Act for the benefit of MSMEs. The Act prescribes that the customers of MSMEs should make the payments within 120 days of accepting the goods. Delays beyond this would attract interest at 11/2 times the prime lending rate of the SBI.

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 a 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 weightage 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 MSMERs 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 backwards 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. 1) Assistance to individuals for participating in overseas trade fairs and exhibitions.
2. 2) Assistance to individuals to go on overseas study tours or as a member of a trade delegation going abroad.
3. 3) Assistance for production of publicity material for overseas publicity.
4. 4) Assistance to small industry association to conduct sector- specific market studies abroad, and
5. 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.

INDUSTRIAL ESTATES

It is defined as a method of “Organizing, housing and servicing industry, a planned clustering of industrial enterprises offering standard factory buildings erected in advance of demand and a variety of services and facilities to the occupants.” In short, industrial estate is place where the required facilities and factory accommodation are provided by the government to the entrepreneurs to establish their industries there. The first and foremost industrial estate was established at Rajkot in Gujarat in 1955.

FEATURES OF INDUSTRIAL ESTATES

The following are the important features of industrial estates:

- ❖ It is a tract of land subdivided and developed into factory plots or sheds.
- ❖ It is a planned clustering of industrial units.
- ❖ It may be developed in urban, semi-urban or rural areas.
- ❖ It may be large, medium or small.

- ❖ It may be set up by the Government, or by co-operatives or even by private agencies.
- ❖ It provides several common infrastructural facilities such as water, power, roads, training, banks, repairs and maintenance etc.

ADVANTAGE OF INDUSTRIAL ESTATES

- 1) **Economies of Scale:** It arises because all the industrial units enjoy common infrastructural facilities like water, roads, etc. As the size of the industrial units increases, the costs of estate development and administration per unit of each facility decrease.
- 2) **External Economies:** Several industrial units are clustered together in an industrial estate. This enable them to enjoy the benefits of agglomeration and external economies like improved transport facilities, availability of trained labour, repair facilities, power and water etc.
- 3) **Low Investment:** Even a small entrepreneur can acquire an industrial plot or shed on rent or hire purchase basis.
- 4) **Less Risks:** Since all units enjoy common facilities and low capital investment, risks are relatively low.
- 5) **Mutual Co-Operation:** All industrial units located in an industrial estate face common problems and seek to achieve common objectives.
- 6) **Balanced Regional Development:** It is possible to secure a balanced regional development by developing industrial estates in industrially backward areas.
- 7) **Saving Of Time and Effort:** An individual entrepreneur is relieved of trouble of searching for suitable space.
- 8) **Entrepreneurial Development:** Industrial estates reduce risks and increase profitability through internal and external economies.

INCENTIVES AND SUBSIDIES

In India Entrepreneurs are offered a number of incentives because they fulfil 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.
- **PROBLEMS RELATING TO SUBSIDIES**
- Some problems may arise in devising and implementing a subsidy system. They are as follows.
- ✓ A subsidy may remain unutilized.
- ✓ If the administration is inefficient or corrupt, subsidy will not produce the desired results.
- ✓ It is very difficult to measure the impact of subsidies.
- ✓ Subsidies may lead to inefficiency in the long run.
- ✓ Subsidies once introduced are difficult to withdraw.
- ✓ The administrative procedure must be effective.
- ✓ The cost of administering a subsidy should be considered.
- ✓ The subsidy scheme should be communicated to prospective beneficiaries.
- ✓ The quantum of subsidy should be adequate to produce the desired results.
- ✓ The target groups to whom the subsidy is to benefit should be clearly determined.
- **SMALL INDUSTRIAL DEVELOPMENT ORGANISATION (SIDO)**
- The SIDO was formed under the Ministry of Industry. It is a policy making, co-ordinating 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 programmes 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 centres, (b) tool rooms and training centres. (c) specialized institutes and (d) regional testing centres 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. 1) To estimate the requirements of raw material for the small scale sector and to arrange their supply.
2. 2) To collect data on consumer items which are imported and encourage the setting up of new units by giving them co-ordinated assistance?
3. 3) To prepare project reports and other technical literature for prospective entrepreneurs.
4. 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. 1) To develop small scale units as ancillary units to large scale industries
2. 2) To impart training to industrial workers.
3. 3) To market the product of SSIs at home and abroad.
4. 4) To help the small scale industries in procurement of scarce and imported raw material.
5. 5) To obtain orders for SSI units from government department and offices.
6. 6) To provide machinery to SSI units on hire purchase basis.

7. 7) To construct Industrial Estate and establish and run proto-type production-cum-training centres.

NATIONAL ALLIANCE OF YOUNG ENTREPRENEURS (NAYE)

It is a national level apex organization of young entrepreneurs. It assists in promoting new enterprises through first generation entrepreneurs. NAYE sponsored an Entrepreneur Development Scheme with Bank of India in August 1972 on pilot basis. The scheme is known as BINEDS. It is operative in the states of Punjab, Rajasthan, Himachal Pradesh and Union Territories of Chandigarh and Delhi. NAYE has entered into similar arrangement with Dena Bank, Central Bank Of India and Union Bank of India .NAYE strives hard for upliftment of young entrepreneurs especially women. It holds workshops, conferences, training programmes etc. to create awareness in entrepreneurs.

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 June 1972.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 upgradation and rehabilitation programmes 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 programmes 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 co-ordinates 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 upgradation.
- 13) It undertakes quality control, energy conservation and pollution control, specialized training programmes 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. (1) To train the artisans.
2. (2) To assist village industries in procuring raw materials.
3. (3) To assist and support through marketing of finished products of village industries.
4. (4) To provide equipment and machinery to producers on concessional terms.
5. (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.

SCIENCE AND TECHNOLOGY ENTREPRENEUR PARKS (STEP)

STEP is an area where applied research on high tech projects is conducted with the collaboration of multinational companies, universities, technological and research institutes. In 1972 a conventional 'Techno Park' was set up by the Birla Institute of Scientific Research.

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 upgradation 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

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.

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.

BRIDGE CAPITAL/FINANCE

Bridge capital is the advance given to cover the finance requirement during the time lag between the sanctioning and disbursement of term loan by financial institutions. It is an assistance given for a short period to help borrower for overcoming the delay in disbursement of a sanctioned term loan or in getting the proceeds of a public issue. It is provided by commercial banks.