



KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University Established Under Section 3 of UGC Act 1956) Coimbatore – 641 021.

DEPARTMENT OF COMMERCE

SUBJECT NAME: ENTREPRENEURSHIP
SEMESTER: V

SUB.CODE:17CCU503A
CLASS: III B.Com CA

SEMESTER V
L P TC
6 -- -4

17CCU503A

ENTREPRENEURSHIP

SCOPE

In India there is a dearth of quality people in industry, which demands high level of entrepreneurship development programme throughout the country for the growth of Indian economy. The scope of entrepreneurship development in country like India is tremendous. Especially since there is widespread concern that the acceleration in GDP growth in the post reforms period has not been accompanied by a commensurate expansion in employment.

OBJECTIVE:

The purpose of the paper is to orient the learner toward entrepreneurship as a career option and creative thinking and behavior.

UNIT- I

Introduction: Meaning, Elements, Determinants and Importance of Entrepreneurship and Creative Behavior; Entrepreneurship and Creative response to the society's problems and at work; Dimensions of Entrepreneurship: Intrapreneurship, Technopreneurship, Cultural Entrepreneurship, International Entrepreneurship, Netpreneurship, Ecopreneurship, and Social Entrepreneurship

UNIT- II

Entrepreneurship and Micro, Small and Medium Enterprises: Concept of business groups and Role of Business Houses and Family Business in India; Role of Entrepreneurship in Economic Development; the Contemporary Role models in Indian business: their values, business philosophy and behavioural orientations; Conflict in family business and its resolution

UNIT-III

Institutional services to entrepreneurship - DIC, SIDO, NSIC, SISI, SSIC, SIDCO – ITCOT, IIC, KUIC and Commercial Bank.

UNIT- IV

Sources of business ideas and tests of feasibility: Institutional finance to Entrepreneurs: IFCI, SFC, IDBI, ICICI, TIIC, SIDCS, LIC and GIC, UTI, SIPCOT – SIDBI commercial bank venture capital.

UNIT- V

Incentives and subsidies – Subsidized services – subsidy for market. Transport – seed capital assistance - Taxation benefit to SSI role of entrepreneur in export promotion and import substitution

Suggested Readings :

Text Books:

1. Vasant Desai. (2002) *Dynamics of Entrepreneurial Development and Management*. Mumbai, Himalaya Publishing House.

Reference Books:

1. Singh, Nagendra P (2015) . *Emerging Trends in Entrepreneurship Development*. New Delhi: ASEED

2. SS Khanka. (2001). *Entrepreneurial Development*, New Delhi, S. Chand & Co

3. K Ramachandran.(2008). *Entrepreneurship Development*, New Delhi, McGraw-Hill Education.

4. C.B.Gupta and N.P.Srinivasan (2008). *Entrepreneurial Development* [5th Edition]. New Delhi, Sultan Chand and sons.

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(Deemed to be University)
Established Under section 3 of the UGC Act, 1956)
Pollachi Main Road, Eachanari (Post),
Coimbatore – 641 021.
DEPARTMENT OF COMMERCE
III B.COM (COMPUTER APPLICATION) - ELECTIVE
ENTREPRENEURSHIP (17CCU503A)
FIFTH SEMSTER
LECTURE PLAN
UNIT-1

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	Introduction about entrepreneurship	T1-17
2.	1	Meaning, elements of entrepreneurship	R1- 2.13
3.	1	Determinants of entrepreneurship	R1-2.01
4.	1	Importance of entrepreneurship and creative behaviour	R1-p.2.2
5.	1	Entrepreneurship and creative response to the society problems	R1-p.4.5
6.	1	Entrepreneurship and creative response at work	R1-p.2.1
7.	1	Dimensions of entrepreneurship	W1
8.	1	Types of Entrepreneurship	T1-72-77
9.	1	Intrapreneurship and Technopreneurship	R2- 26, W2
10.	1	Cultural and international entrepreneurship	W3
11.	1	Netpreneurship and ecopreneurship	W4
12.	1	Social entrepreneurship	T2-27
13.	1	Presentation on Successful Entrepreneurs by students	-
14.	1	Recapitulation and discussion of important questions	-
		Total no. of hours planned for unit-1	14 hours

UNIT-2

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	Introduction about MSME	R2- 249 -275
2.	1	Small enterprises	R2- 249 -251
3.	1	Medium enterprises	R1-7.19
4.	1	Concept of business groups	R1-22.1
5.	1	Role of business houses and family business in India	R1-21.26
6.	1	Role of entrepreneur in economic development	W1
7.	1	Contemporary role models of Indian business- their values	R1-21.20
8.	1	Business philosophy	W1
9.	1	Behavioural orientation	W1
10.	1	Conflict in family business	R1-22.2
11.	1	Resolution to conflicts	R1-22.3
12.	1	Presentation about the business group in India	-
13.	1	Recapitulation and discussion of important questions	-
14.	1	Activity	-
		Total no. of hours planned for unit-2	14 hours

UNIT-3

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	Introduction about institutions support to Entrepreneurship	R2- 403-418
2.	1	DIC	R1-6.22
3.	1	SIDO	R2- 409-410
4.	1	NSIC	R2- 404-405
5.	1	SISI	R1-6.27
6.	1	SSIC	W2
7.	1	SIDCO	W2

8.	1	ITCOT	R1-6.28
9.	1	IIC	R1-6.40
10.	1	KUIC	R1-6.11
11.	1	Commercial banks	R1-6.56,6.63
12.	1	Discussion about the current scenario of institutions and entrepreneurship	-
13.	1	Recapitulation and discussion of important questions	-
14.	1	Presentation on Institutional Services to Entrepreneurship	-
		Total no. of hours planned for unit-3	14 Hours

UNIT-4

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	Introduction about the source of business ideas and tests of feasibility	W1
2.	1	Institutional Finance to Entrepreneurs	R1.p:6.56
3.	1	IFCI and SFC	R1:p.6.50,6.53
4.	1	IDBI	R1:p.6.51
5.	1	ICICI	R1:p.6.48
6.	1	TIIC	R1:p.6.27,6.28
7.	1	SIDCS	R1:p.6.41
8.	1	LIC	R1:p.6.54
9.	1	GIC	W2
10.	1	UTI	W2
11.	1	SIPCOT commercial bank venture capital.	R2- 350-351
12.	1	SIDBI commercial bank venture capital.	R1:p.6.44
13.	1	Presentation on examples of Venture capital	-
14	1	Activity on business ideas and tests of feasibility	-
15	1	Recapitulation and discussion of important questions	-
		Total no. of hours planned for unit-4	15 Hours

UNIT-5

S.No	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1	1	Introduction to incentives and subsidy	W1
2	1	Subsidized services	R1:p.7.23
3	1	Subsidy for market	R1:p.7.24
4	1	Introduction about transportation	W1
5	1	Seed capital assistance	R1:p.7.24,7.25
6	1	Taxation benefits to SSI	R1:p.7.21
7.	1	Role of entrepreneurship in export promotion	R1:p.7.22
8.	1	Role of entrepreneurship in import substitution	R1:p.7.11-7.17
9.	1	Discussion about subsidized services available	-
10.	1	Activity	-
11.	1	Presentation on start ups and seed capital	-
12.	1	Recapitulation and discussion of important questions	-
13.	1	Revision : Discussion of ESE question papers	-
14.	1	Discussion of ESE question papers	-
15	1	Discussion of ESE question papers	-
		Total no. of hours planned for unit-5 & Question Paper Discussion	15 hours

SUPPORT MATERIALS

TextBooks:

1. Vasanth Desai.(2007) Dynamics of Entrepreneurial Development and Management, Mumbai, Himalaya Publishing House.

Reference Book:

1. Jayshree Suresh, Entrepreneurial Development, Margham publications.
2. SS Khanka (2012). Entrepreneurial Development, New Delhi, McGraw – Hill Education.

Website Reference

W1 : www.yourarticlelibrary.com

W2 :

www.businessmanagementideas.com W3 :

www.businessdictionary.com

W4 : www.hbs.edu

UNIT-I
SYLLABUS

Introduction: Meaning, Elements, Determinants and Importance of Entrepreneurship and Creative Behavior; Entrepreneurship and Creative response to the society's problems and at work; Dimensions of Entrepreneurship: Intrapreneurship, Technopreneurship, Cultural Entrepreneurship, International Entrepreneurship, Netpreneurship, Ecopreneurship, and Social Entrepreneurship

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 and manage a business venture along with any of its risks in order to make a profit". While 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.

ELEMENTS OF ENTREPRENEURSHIP:

The two basic elements of entrepreneurship 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.

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.

As per Schumpeter a person is an entrepreneur only when he is engaged in innovative behavior. This innovative behavior is an entrepreneurial function. According to Schumpeter, entrepreneurship is a creative activity. An entrepreneur is an innovator who introduces something new in an economy. Entrepreneurship is doing things that are generally not done in the ordinary course of business. Innovation may be in:

- Introducing a new manufacturing process that has not yet been tested and commercially exploited.
- Introduction of a new product with which the consumers are not familiar or introducing a new quality in an existing product.
- Locating a new source of raw material or semi-finished product that was not exploited earlier.
- Opening a new market, hitherto unexploited, where the company products were not sold earlier.
- Developing a new combination of means of production.

In order to satisfy the changing preference of customers nowadays many enterprises have adopted the technique of innovation. For instance, pidilite industries innovated the new 5.rs pack of fevi quick which was accepted by the customers as it was easy to use when it was needed. Other example would be of the mobile enterprise which came up with the scheme for the customers of refill pack of Rs. 99 which says “Zindagi bhar mobile raho” which was accepted by the customers. Since customers taste and preferences always keep on changing, hence the entrepreneur needs to apply invention on a continuous basis to meet the customers changing demand for products.

Risk bearing

Entrepreneurship is 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 succeed.

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 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. Similarly, 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 their 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 finances

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 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. The 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 the business has already been set in motion

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 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

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.

Political and economic integration

The idea of a plural society can only be achieved if all stakeholders are involved in nation-building. 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 classical 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. Competencies, on the other hand, are sets of behaviours, which encompass skills, knowledge, 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 (1995), 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.

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, restructuring, and customer orientation—all for competitive advantages.

ENTREPRENEURSHIP AND CREATIVE RESPONSE TO THE SOCIETY:

1. Entrepreneurial thinking challenges tradition.

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. Don't mistake this objectivity with naivety; 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 (the demand is increasing so rapidly that the BLS predicts 42.2% employment opportunity growth for translators and interpreters between now and 2020), she created a program that makes it possible for multilingual women with limited financial resources to break into the field of medical interpreting.

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 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 significance of the problems being addressed have contributed to a risk-adverse environment. 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 efforts.

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.”

DIMENSIONS OF ENTREPRENEURSHIP:

Four dimension are,

Know thyself

If you want to start a company, you must know what you are truly good at. You must feel comfortable under your skin. For instance, are you a technologist or are you a marketing expert? It helps others to collaborate and work with you. People do not change. Your personality is developed during your teenage years. The rest of your life goes towards learning survival mechanisms. I realized early on that I enjoyed helping others whether it was helping my classmates with their homework or whether giving my colleagues new contacts or advice. In my first job at Control Data, I started as a design engineer in the communications division for re-designing recently introduced product in the market, so I could extract efficiency and reduce cost

further. The hardest problem in my job was to get a solid grasp of the customer's reported problems. So, I started holding meetings with members from marketing, sales, and customer support and product groups to get to the heart of problems amidst hide-bound personalities. As a result of my collaborative and helping nature like a peacemaker, I was moved into management and leadership role early in my career.

Know your market

Who is your customer? Is your customer going to buy your product? Do you understand your customer's problems well enough that you can build a solution around it? Can you bring the product to market in a timely manner and get instant customer feedback? Make sure you have the pertinent domain expertise in this area to build the best product. Just because social media is a hot trend does not mean you start a company in that area, when, in fact, your expertise is in semiconductors. For example, recently in Ankeena Networks - a portfolio company, two of the co-founders Rajan Raghavan and Prabakar Sundarrajan, came up with an innovative idea for video caching. Before they got started, they talked to over 30 customers to validate the idea and fine tune it to what the precise need was. The company was successfully acquired within 18 months by Juniper Networks. In a healthcare software startup, Quantros, the entrepreneur - a medical doctor wanted to take on the whole healthcare market of payers, providers and drug manufacturers. After entering all three markets, he decided to focus on providers only with a patient safety and risk management solution. With this focus the company became a market leader and was successfully acquired by a private equity firm.

Build the right product

Entrepreneurs should build a point product rather than a platform. It's way hard for a startup to sell a platform solution. In the eco-system of your expertise, find one thing that is really broken and develop a solution to fix that. Make sure that it fits into the existing ecosystem and solves one particular customer pain point. For instance, Telera started with an idea to make 1-800 numbers appear as local numbers. It could potentially provide huge savings in long distance calling costs to businesses. Now, in order to make it a reality, we had to build a dedicated network operations center (NOC) to act as a neutral party among various carriers. To accomplish this, we ended up building whole voice over IP infrastructure management software, which

became a valuable piece of intellectual property that led to company's acquisition eventually by Alcatel.

Generate Profit

You must focus on generating profit as soon as possible otherwise stay away from becoming an entrepreneur. Every business has to make a profit in order to sustain itself. Profit orientation means recognizing that the business comes first. The cost of goods always needs to be less than the sale price. Hire the right people with the similar mindset. In summary, the four key take away points for entrepreneur's are knowing thyself, knowing your market, building the right product and generating profit.

INTRAPRENEURSHIP:

Intrapreneurship is the act of behaving like an entrepreneur while working within a large organization. Intrapreneurship is known as the practice of a corporate management style that integrates risk-taking and innovation approaches, as well as the reward and motivational techniques, that are more traditionally thought of as being the province of entrepreneurship.

DIMENSIONS :

Intrapreneurship is entrepreneurship in the corporate world.

There are lots of reasons why Intrapreneurship is important. Here are 5 reasons why.

1. Growth:

During the economic downturn most companies stopped investing in the future. Now they are sitting on piles of cash. They know they need to grow, they just aren't sure how. Intrapreneurship answers the question of – HOW!

The goal of Intrapreneurship is to create the entrepreneurial mindset and infrastructure needed to support growth. It takes a systems view of growth. It is a framework for transformation.

Intrapreneurship helps organizations generate new business growth.

2. Innovation:

Innovation is the key element in providing aggressive top line growth. But doing one or two innovation initiatives a year will not support or sustain innovation. Organizations need to be innovating all the time. Failure rates for innovation are still high, 50% to 90%.

Innovation alone is not enough. Organizations need to set the context for innovation; the right people, the right processes and the right environment. Innovation and intrapreneurship are entwined, they are tied together. You need both to be successful.

Intrapreneurship provides an environment to support and sustain innovation over time.

3. Leadership:

Research has identified leadership as the key predictor of innovation success. Yet a majority of CEOs do not feel like they have the capabilities inside their organizations to achieve their growth agenda. The skills and capabilities that propelled most executives to the top in the past are not the skills required to build new growth businesses. Only 4% of leaders are intrapreneurial.

Intrapreneurship requires a new set of competencies and behaviors. Intrapreneurial leaders think and act differently, they have different motivations and aspirations, and they prefer working in different work environments. It is this differentiation that makes them the perfect candidate to lead new growth initiatives.

Intrapreneurship is the one of the best ways to attract and retain your most entrepreneurial leaders.

4. Change:

Change is one of the least understood and under developed management disciplines. Most studies report a 60% – 70% failure rate when it comes to change initiatives. Risk adverse cultures and resistance to change impede an organizations ability to grow.

Intrapreneurial leaders are change agents. They blaze new trails. They become the very change they wish to see. Not just driving change, but modeling change so others can change as well.

Intrapreneurship enables organizations to effectively accelerate and manage change.

5. Engagement:

Gallup Research estimates that disengaged employees cost US organizations over \$450 billion in lost productivity. In 2012, only 30% of American workers were engaged and committed to their workplace. Lost productivity translates to slow or no growth.

Intrapreneurship provides a platform to engage employees in work that is challenging and meaningful. Intrapreneurs are highly engaged in their work. Their passion and determination inspire others to get involved and try new things. As they grow, the organization grows.

Intrapreneurship helps employees stretch and grow while keeping them engaged.

Intrapreneurship has become a critical imperative for all organizations and a survival strategy for others. Organizations that have embraced Intrapreneurship have achieved higher financial returns, increased productivity, more innovation and higher levels of employee engagement. Isn't it time you took a closer look at Intrapreneurship and what it can mean for your organization.

TECHNOPRENEURSHIP:

Technopreneurship it is a simple entrepreneurship in a technology intensive context. It is a process of merging technology prowess and entrepreneurial talent and skills.

Technopreneur is the person who destroys the existing economic order by introducing, new products and services, by creating new forms of organizations and by exploiting new raw materials. It is someone who perceives an opportunity and creates an organization to pursue it. A person who undertakes risks that has the chance of profit. Technopreneurs distinguishes themselves through their ability to accumulate and manage knowledge, as well as their ability to mobilized resources to achieve a specified business or social goal.

CULTURAL ENTREPRENEURSHIP:

"A cultural entrepreneur, simply put, is an entrepreneur who creates a business that is grounded in the arts, creatively inclined and/or is relevant to the cultural heritage of a specific community. The goal of their business ventures is to address social problems by shifting belief systems and attitudes. Cultural entrepreneurship has been characterized as a sub-set of social entrepreneurship." In other words, cultural entrepreneurs are business visionaries that want to transform the world for the better with creative and scalable business practices.

INTERNATIONAL ENTREPRENEURSHIP:

It is the process of an entrepreneur conducting business activity across the national boundaries. It may consists of exporting, lincensing, opening sales office in another country etc.

International Entrepreneurship is defined as the development of international new ventures or start-ups that from their inception engage in international business, thus viewing their operation domain as international from the initial stages of international operations.

IMPORTANCE:

1. It is beneficial as if sales of company is declining in domestic market, they can sell products in international market considering demand for product in other country market customers.
2. Entrepreneur can sell their products in foreign markets which can have reached the maturity stage of their life cycle in domestic markets and earn profits by their sales.
3. Companies which are incurring high level of fixed costs can lower their manufacturing costs by spreading these fixed costs over long number of units by their products in global markets.
4. Improves their entrepreneurial competitiveness and enhance reputation.
5. Satisfies foreign customers through international market.
6. Develops customer relationship management.

NETPRENEURSHIP:

- Netpreneurship is the process by which an individual creates and delivers their product or service over the internet. It requires just the "Connectivity".
- A Netpreneur can be a self employed individual or one who predominantly employs several virtual employees. Those Netpreneurs who can afford their own computer and connect to the Internet and carry on business can be called the Self Employed Netpreneurs (SENEs).
- Those Netpreneurs who have more resources and engage "Employees" either for physical world services such as marketing, order fulfillment etc but carry on the main business activities on the Virtual Environment, are the Small and Home Office (SOHO) establishments.
- Larger establishments including Call centers and Medical Transcription units etc fall into the category of IT enabled Service Establishments beyond the limited scope of SOHOs.
- These bigger units have a strength of their own and are outside the scope of present discussion. An enterprise cannot go smaller than one single individual namely the "Entrepreneur". In this sense, the "Netpreneur" is like the smallest building block in the "Business Network".

- The Netpreneur is a premium member in the Community. He provides service to the community including employment.
- To the extent he provides services outside the community, he adds wealth to the community by his Export activity.
- He is a person therefore who needs to be encouraged by the Community for its own benefit. More the Netpreneurs in the society, better it is for the community.
- Netpreneurs add up to build other higher value added economic units in the society either joining hands with other similar Netpreneurs or with other Brick and Mortar entities.
- Prosperity springs when an environment is created where such Netpreneurs flourish, enter into mutually beneficial partnerships and enjoy the benefits of a Connected society.

ECOPRENEURSHIP:

"Ecopreneurs are entrepreneurs whose business efforts are not only driven by profit, but also by a concern for the environment. Ecopreneurship, also known as environmental entrepreneurship and eco-capitalism, is becoming more widespread as a new market-based approach to identifying opportunities for improving environmental quality and capitalizing upon them in the private sector for profit. "

DRIVERS OF ECOPRNEURSHIP:

- Population growth
- Increasing life expectancy
- Climate change
- Resource scarcity
- Lack of equity in the world
- Human right

POSSIBLE QUESTIONS:

PART A(20*1=20)

ONLINE EXAM

PART B(5*2=10):

1. Define Entrepreneurship.
2. What are the elements and importance of entrepreneurship?
3. Define creative behaviours.
4. What is technopreneurship?
5. Define netpreneurship.
6. Who are social entrepreneur?
7. What is cultural entrepreneurship?
8. Mention the problems faced by cultural entrepreneur.

PART C(5*6=30):

1. Explain the dimensions of entrepreneurship.
2. Explain the determinants of entrepreneurship.
3. Write the importance of entrepreneur in the society.
4. Discuss with an example about the problems faced by the entrepreneurs.
5. What is intrapreneurship? Mention its dimension.
6. What is the role of entrepreneur in economic development?
7. Discuss about techno and eco entrepreneurs.
8. Explain
 - a) Social entrepreneurship
 - b) Netpreneurship

S.NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4	ANSWER
1	Any patents, trademarks , copyright or trade secrets held by the entrepreneur is known as	Disclosure document	Patent	Intellectual property	None of the mentioned	Intellectual property
2	The organization will never be able to make the necessary changes without	Top management commitment	Employees	Workers	None of the mentioned	Top management commitment
3	The ways entrepreneurs make decisions.	Entrepreneurial domain.	Reverse brain storming	Heuristics	Reverse brain storming	Entrepreneurial domain.
4	locus of control is	A feeling	Attitude	Attribute	None of the above	Attribute
5	Licensing arrangements have	Low risk process involved	Easy way to generate incremental income	Several pitfalls	All of the above	All of the above
6	Personal characteristics to be a successful entrepreneur includes	Understanding environment	Creating management options	Encourage open discussion	All of the above	All of the above
7	International entrepreneurship is	Licensing	Exporting	Both of the mentioned options	None of the two mentioned	Both of the mentioned options
8	Which of the following is not a characteristic that is helpful for an entrepreneur to have?	Self-esteem	Caution	Drive	Optimism	Caution
9	Hindrance for going in the international business is known as	Synergy	Turn key point	Trade barrier	Minority interest	Trade barrier
10	A set of reasons for engaging in a particular behavior, especially human behavior is known as	Values	Vision	Entrepreneurship	Motivation	Motivation
11	Which of the following techniques is an excellent method for initially screening ideas and concepts in addition to generating new ideas?	Focus group	Brain storming	Problem inventory analysis	Reverse brainstorming	Focus group
12	The creative process for problem solving that involves making the strange familiar in first step and then making the familiar strange through personal, direct or symbolic analogy is called	Synectics	Gordon method	Checklist method	Scientific method	Synectics
13	When the multiplicity of environments become too complex to handle, the international entrepreneurs often	Go for mergers	Diversify	Decentralize operations	Sale out the foreign business	Decentralize operations
14	An entrepreneur into the hosiery business found out the reason his hosiery was not selling was due to its color. What could be the best source of this information?	Supplier	Retailer	Competition	Government bureau	Retailer
15	In some countries, point of purchase displays are not allowed in retail stores. Such differences are studied by international entrepreneurs under environment.	Economic	Political	Cultural	Technological	Cultural
16	Entrepreneurial success has been significant because of the culture and the political and economic systems in	European countries	Asian countries	Transition economies	Middle east	Asian countries
17	Having more than 50% ownership position that provides the entrepreneur with managerial control is called	Joint venture	Majority interest	Horizontal merger	Diversified activity merger	Majority interest

18	The under-developed or lesser developed countries need manufacturing technology and infrastructure and yet do not want to turn over substantial portion of their economy to foreign ownership. Which of the following is a solution to this dilemma?	Management contract	Indirect exporting	Licensing	Turn-key project	Turn-key project
19	The development of a new venture based on an inventor's work often requires _____.	Expertise of an entrepreneur	Heavy investment from financiers	Skilled human resources	Highly educated staff	Expertise of an entrepreneur
20	_____ is the process in marketing of dividing a market into distinct subsets (segments) that behave in the same way or have similar needs.	Target Market	Market Analysis	Market Segmentation	All of the Above	Market Segmentation
21	A business where an individual is both the owner and conductor of the business affairs is called _____.	Sole Proprietorship	Partnership	Corporation	None of the above	Sole Proprietorship
22	In _____, the entrepreneur has the right to sell any assets.	Proprietorship	Partnership	Limited Liability Company	None of the given options	Proprietorship
23	_____ are lists of the general tasks, or functions, and responsibilities of a position.	Job Specifications	Job descriptions	Job Requirements	Jobholder	Job descriptions
24	A _____ can be a budget, a plan for spending and saving future income.	Marketing Plan	Financial Plan	Production Plan	Organizational Plan	Financial Plan
25	_____ involves an interest-bearing instrument, usually a loan, the payment of which is only indirectly related to sales and profits.	Equity Financing	Internal or External Funds	Banking Funds	Debt Financing	Debt Financing
26	The idea and actions that explain how a firm will make its profits refers to	Mission	Goal	Strategy	Objective	Strategy
27	SBIR stands for:	Small Business Information Research	Small Business Innovation Research	Small Business Intelligent Research	Small Business Inventory Research	Small Business Innovation Research
28	_____ is what the "W" in the SWOT analysis stands for.	Wedge	Work/life	Worth of Business	Weakness	Weakness
29	Benefits can focus on which of these?	Value and Cost	Imitation and Innovation	Internal and External aspects	None of the given options	Value and Cost
30	An entrepreneur's primary motivation for starting a business is	To make money	To be independent	To be famous	To be powerful	To be independent
31	To be successful in an entrepreneurial venture, you need	Money	Luck	Hard work	A good idea	Luck
32	Entrepreneurs are best as	Managers	Venture capitalists	Planners	Doers	Doers
33	A successful entrepreneur relies on which of the following for critical management advice	Internal management team	External management professionals	Financial sources	No one	External management professionals
34	Entrepreneurs are:	High risk takers	Moderate risk takers	Small risk takers	Doesn't matter	Moderate risk takers
35	Entrepreneurs typically form	Service businesses	Manufacturing companies	Constructive companies	A variety of ventures	A variety of ventures
36	Entrepreneurs:	Are the life of the party	Are bores at a cocktail party	Will never go to parties	Just fit into the crowd at a party	Just fit into the crowd at a party
37	Entrepreneurs and ventures capitalists:	Get along well	Are the best friends	Are cordial friends	Are in conflict	Are in conflict
38	An entrepreneur's primary motivation for high ego and need for achievement is based upon a relationship with:	Spouse	Mother	Father	Children	Father
39	An _____ operates within organization.	Owner	Inventor	Intrapreneur	Advisor	Intrapreneur
40	Entrepreneurs always bears _____	actions	Purchase	Risk	Sales	Risk

41	A _____ entrepreneur will be very cautious.	Fabian	skilled	innovate	Drone	Fabian
42	A _____ does not bear any risk.	Creator	Servant	Inventor	Manager	Manager
43	The social science discipline that focuses directly on understanding and predicting individual behaviour is known as	psychology	sociology	anthropology	political science	psychology
44	The social science that studies how individuals interact with one another in social systems is known as	psychology	sociology	anthropology	political science	sociology
45	The behavioural science hybrid that integrates psychology and sociology is known as	psysology	psycho sociology	social psychology	socpsycology	social psychology
46	People who work in the Human resource department should have a knowledge of	organisational behavior	IT	Finance	marketing	organisational behavior
47	The commercial _____ started to cater industries	banks	industries	Offices	Companies	banks
48	There are _____ stages in project life cycle	one	two	Three	four	Three
49	What are the 3 basic dimensions of a project?	input, output and process	input, output and materials	input, output, social cost and benefits	input, output and features	input, output, social cost and benefits
50	Project formulation is the important while preparing the _____	Project	report	plan	format	Project
51	Female entrepreneur differs from male entrepreneur in terms of the following except _____	Motivation	Business skill	Departure point	Goal orientation	Motivation
52	The term EDP refers to _____	Entrepreneurship Development Programme	Entrepreneurial Development Programme	Entrepreneur Development Programme	Entrepreneuring Development Programme	Entrepreneurship Development Programme
53	TIIC is sponsored by the _____	Government of Tamil Nadu	Government of Karnataka	Government of Andhra Pradesh	Government of Kerala	Government of Tamil Nadu
54	RCI stands for _____	Re-investment corporation of India	Re-investment committee of India	Refinance corporation of India	Refinance committee of India	Refinance corporation of India
55	The main functions of _____ is to cater small industries	people	company	SFC	concern	SFC
56	A _____ gives assistance to small Entrepreneurs.	large	high	small	Commercial banks	Commercial banks
57	SIDBI Commences its operation in the year _____.	1936	1950	1990	1948	1990
58	_____ provide training to small entrepreneurs.	UNO	SIDBI	SBI	IIC	SIDBI
59	An individual usually begins his or her first significant entrepreneurial business enterprise at what age	Teens	Twenties	Forties	Fifties	Forties
60	NAFTA stands for:	North American Free Trade Agreements	North Asian Free Trade Agreements	National Asian Free Trade Agreements	National American Free Trade Agreements	North American Free Trade Agreements

UNIT-II
SYLLABUS

Entrepreneurship and Micro, Small and Medium Enterprises: Concept of business groups and Role of Business Houses and Family Business in India; Role of Entrepreneurship in Economic Development; the Contemporary Role models in Indian business: their values, Business philosophy and behavioral orientation; conflicts in family business and its resolution.

CONCEPT OF BUSINESS GROUP:

Definition

A group of companies is an economic entity formed of a set of companies which are either companies controlled by the same company, or the controlling company itself. Controlling a company means having the power to appoint the majority of its directors. The control of company A by company B may be direct (company B directly holds the majority of voting rights on the management board of company A) or indirect (B controls intermediate companies C, D or E, etc, which it can ask to vote the same way on the management board of A, thereby obtaining a majority of rights).

The French statistical definition currently in force uses the absolute majority of voting rights as its control criterion to define the group contours.

We define:

the restricted contour, or "core", of the group as all the companies more than 50% owned, directly or indirectly, by a parent company heading the group; the parent company is not more than 50% owned either directly or indirectly by another company. In this definition, groups form pair wise disjoint sets.

ROLE OF BUSINESS HOUSES AND FAMILY BUSINESS IN INDIA:

Business Groups are an important part of a nation's economy and a major contributor to the GDP of the country. The industrial scenario of many developing economies is identified by various business groups. They have been an essential part of the economy ever since the emergence of

the industrial activity in the latter half of the nineteenth century. In India, 90% of the businesses are family-owned. They have played an important role in the development of the Indian economy by filling the gaps from sluggish markets and institutions. Major Business Houses in India:

Adani Group

Adani Group is one of the well-known business houses in India. The company has its headquarters in Gujarat. It was founded in the year 1988 as a commodity trading business. First generation entrepreneur Gautam Adani is the founder & chairman of Adani Group. It is an Indian multinational conglomerate working in diversified business sectors which includes resources, logistics, agribusiness and energy sectors. The subsidiaries of Adani Group are Adani Gas Limited, Adani Ports & SEZ Limited, Adani Power.

Aditya Birla Group

Founded by Seth Shiv Narayan Birla in 1857, the Aditya Birla Group is one of the best business houses in India. The group has its headquarters in Worli, Mumbai. It is functional in 40 countries with more than 120,000 employees internationally. Aditya Birla Group is the largest MNC in the USA constituting 95% of the American employees engaged in manufacturing operations. The group is active in sectors of viscose staple fibre, metals, cement (largest in India), viscose filament yarn, branded apparel, carbon black, chemicals, fertilisers, insulators, financial services, telecom, BPO and IT services.

Bharti Enterprises

Bharti Enterprises was founded by Sunil Bharti Mittal in the year 1976. The company has its headquarters in New Delhi and is operational in 16 countries across Africa and Asia. The company has businesses in the field of telecommunications, agribusiness, financial services and manufacturing. It has its presence in many sectors but its largest revenue comes from the telecom industry. Some international companies like Singtel, IBM, Ericsson, Nokia Siemens and Alcatel-Lucent are the current key partners of the company in telecom. Its charitable arm, the Bharti Foundation is reaching out to 2,40,000 students and engaging 8,000 teachers across 13 Indian states to revolutionize the education sector.

Reliance ADA Group

The Reliance ADA Group came into existence after Anil Ambani separated from his elder brother Mukesh Ambani in the business. The company is having its headquarters in Navi Mumbai. The market capitalisation of the company is \$14 billion and its net assets worth \$28 billion. This group operates in more than 20,000 towns and 450,000 villages in India and abroad. The company is engaged in the business of telecom, financial services, construction, entertainment, power, healthcare, manufacturing, defence, aviation, and transportation services.

Reliance Industries Ltd

Reliance India Limited was founded by Dhirubhai Ambani in 1966 as Reliance Commercial Corporation. The company is now headed by Mukesh Ambani after his split with his brother, Anil Ambani. It is an Indian conglomerate holding company having headquarters in Mumbai. Reliance is the most profitable business house in India. On 18 October 2007, Reliance became the first Indian company to crack \$100 billion market capitalization. It has been ranked 203rd on the list of Fortune Global 500 in 2017. Reliance contributes almost 5% to the total revenues of the Government of India from customs and excise duty. The company is operational in the sectors of energy, petrochemicals, textiles, natural resources, retail, and telecommunications.

Tata Group

Tata Group is a global enterprise established by Jamsetji Tata in 1868. Having its headquarters in India, it comprises of more than 100 companies operating independently. The Tata Group is operational in more than 100 countries across six continents in the world. Tata Sons is the primary investment holding company and promoter of Tata companies. The company has more than 695,000 employees working under it. In 2016-17, the revenue of all the Tata companies, taken together, was \$100.39 billion. Tata companies with significant scale include Tata Steel, Tata Motors, Tata Consultancy Services, Tata Power, Tata Chemicals, Tata Global Beverages, Tata Teleservices, Titan, Tata Communications and Indian Hotels.

ROLE OF AN ENTREPRENEUR IN ECONOMIC DEVELOPMENT :

Entrepreneurship plays an influential role in the economic growth and standard of living of the country. As a startup founder or small business owner, you may think that you are simply

working hard to build your own business and provide for yourself and your family. But you are actually doing a whole lot more for your local community, state, region, and the country as a whole. Here are the top 7 important roles an entrepreneur plays in the economic development of a country.

1. Wealth Creation and Sharing:

By establishing the business entity, entrepreneurs invest their own resources and attract capital (in the form of debt, equity, etc.) from investors, lenders and the public. This mobilizes public wealth and allows people to benefit from the success of entrepreneurs and growing businesses. This kind of pooled capital that results in wealth creation and distribution is one of the basic imperatives and goals of economic development.

2. Create Jobs:

Entrepreneurs are by nature and definition job creators, as opposed to job seekers. The simple translation is that when you become an entrepreneur, there is one less job seeker in the economy, and then you provide employment for multiple other job seekers. This kind of job creation by new and existing businesses is again is one of the basic goals of economic development. This is why the Govt. of India has launched initiatives such as StartupIndia to promote and support new startups, and also others like the Make in India initiative to attract foreign companies and their FDI into the Indian economy. All this in turn creates a lot of job opportunities, and is helping in augmenting our standards to a global level.

3. Balanced Regional Development:

Entrepreneurs setting up new businesses and industrial units help with regional development by locating in less developed and backward areas. The growth of industries and business in these areas leads to infrastructure improvements like better roads and rail links, airports, stable electricity and water supply, schools, hospitals, shopping malls and other public and private services that would not otherwise be available.

Every new business that locates in a less developed area will create both direct and indirect jobs, helping lift regional economies in many different ways. The combined spending by all the new employees of the new businesses and the supporting jobs in other businesses adds to the local

and regional economic output. Both central and state governments promote this kind of regional development by providing registered MSME businesses various benefits and concessions.

4. GDP and Per Capita Income:

India's MSME sector, comprised of 36 million units that provide employment for more than 80 million people, now accounts for over 37% of the country's GDP. Each new addition to these 36 million units makes use of even more resources like land, labor and capital to develop products and services that add to the national income, national product and per capita income of the country. This growth in GDP and per capita income is again one of the essential goals of economic development.

5. Standard of Living:

Increase in the standard of living of people in a community is yet another key goal of economic development. Entrepreneurs again play a key role in increasing the standard of living in a community. They do this not just by creating jobs, but also by developing and adopting innovations that lead to improvements in the quality of life of their employees, customers, and other stakeholders in the community. For example, automation that reduces production costs and enables faster production will make a business unit more productive, while also providing its customers with the same goods at lower prices.

6. Exports:

Any growing business will eventually want to get started with exports to expand their business to foreign markets. This is an important ingredient of economic development since it provides access to bigger markets, and leads to currency inflows and access to the latest cutting-edge technologies and processes being used in more developed foreign markets. Another key benefit is that this expansion that leads to more stable business revenue during economic downturns in the local economy.

7. Community Development:

Economic development doesn't always translate into community development. Community development requires infrastructure for education and training, healthcare, and other public services. For example, you need highly educated and skilled workers in a community to attract

new businesses. If there are educational institutions, technical training schools and internship opportunities, that will help build the pool of educated and skilled workers.

A good example of how this kind of community development can be promoted is Azim Hashim Premji, Chairman of Wipro Limited, who donated Rs. 27,514 crores for promoting education through the Azim Premji Foundation. This foundation works with more than 350,000 schools in eight states across India.

So, there is a very important role for entrepreneurs to spark economic development by starting new businesses, creating jobs, and contributing to improvement in various key goals such as GDP, exports, standard of living, skills development and community development.

CONTEMPORARY ROLE MODELS IN INDIAN BUSINESS:

When we called in for nominations for your favourite startup, we also asked for your role models from the Indian startup industry and the people have voiced their opinion (here are the top 10 startups you chose). These people serve as the beacons for the aspiring entrepreneurs. They motivate and inspire the people who dream of entrepreneurship. They're the role models for the people in the Indian Startup Ecosystem. Here are the top 10 role models you picked:

Alok Kejriwal

Alok Kejriwal is CEO and Co-Founder of Games2Win.com. Apart from being a serial entrepreneur and an investor, Alok is also a very active individual in the Indian startup ecosystem. Recently at the NASSCOM Conclave in Bangalore he shared with us witty insights on Investing, Mentoring, Gaming, Shitty Jobs and Climbing The Mount Everest!

Deep Kalra

Deep Kalra is the Founder & CEO of MakeMyTrip, India's leading online travel portal. An IIM-A alumnus, Deep launched MakeMyTrip in 2000 and has traversed the extremes of the Indian online space. Deep has strongly accentuated on the fact that entrepreneurs should not start-up focusing on exits.

Dorai Thodla

Dorai Thodla is a founder of iMorph, Inc. iMorph builds tools and provides services for gathering technology intelligence, market intelligence and industry intelligence. He has been an active mentor and guides many startups in getting their act right.

Kishore Biyani

Kishore Biyani is the CEO of Future Group, and the MD of Pantaloon Retail. Biyani's Future Group has over 17 million square feet of retail space in 90 cities and 60 rural locations. He managed to raise \$170 million by taking venture capital arm Future Ventures public in March 2011. Kishore is also the co-author of the book "It happened in India". It is the story of Pantaloons, Big Bazaar, Central and the Great Indian Consumer, co-authored with Dipayan Baishya. Surely a role model for many across India.

Mahesh Murthy

Mahesh Murthy is a founding partner at Seedfund, and has over 26 years of marketing and communications experience, of which 15 years are in online marketing. After dropping out of college, Mahesh sold vacuum cleaners from door to door, worked with Grey in India and Ogilvy in Hong Kong, where he won notoriety and awards as a creative director on HP, The Economist, Pepsi and MTV – for whom he wrote and directed a spot voted “Asia’s best commercial of the decade”. Watch this candid video from him: "talk on fund raising for start-ups"

Naveen Tewari

Naveen Tewari is the Founder of InMobi, the world’s largest independent mobile advertising network. This is no small feat and Naveen feels that a lot depends on the entrepreneur's mindset. One of the most successful entrepreneurs of the new age, Naveen has inspired many to dream big and achieve things entrepreneurs usually thought to be out of their reach.

Phanindra Sama

Phanindra Sama is the Founder & CEO of redBus.in, the leading online bus ticketing portal. Phanindra Sama is better known as “Phani” in the startups space and has been able to build a vastly successful company. It is under his leadership that redBus achieved the feat of selling 10 million bus tickets. A very humble individual, catch Phani in this video where he shared his thoughts with us.

Sachin and Binny Bansal

The Bansals are the poster boys of the Indian startup ecosystem, with their ecommerce firm Flipkart pegged to be the Amazon of India. Although mired in a few controversies off late, Flipkart remains the biggest eCommerce venture in India. YourStory visited the Flipkart's Bangalore office during the firm's early days and caught up with this duo then. From then till today, their growth has been phenomenal coupled with multiple rounds of funding which has kept them head and shoulders above the rest. No surprise that the Bansal brothers are the role models for many.

Sanjeev Bikhchandani

Sanjeev Bikhchandani, an IIM-A alumnus, is the Founder of Naukri.com, India's leading online job portal. An early catcher of the Internet market in India, Sanjeev sees high potential in the consumer internet and mobile. Another widely respected entrepreneur who has built a company with sheer grit and determination.

Subroto Bagchi

Subroto Bagchi is an Indian entrepreneur and co-founder of MindTree Inc., an international IT consulting company. He is the author of the books, Go Kiss The World: Life Lessons for the You. Subroto's words have proved to be the golden advice for many. So when he says that building a great company is seldom an accident, you ought to believe him.

BUSINESS PHILOSOPHY:

A business philosophy is a set of beliefs and principles that a company strives to work toward. This is often referred to as a mission statement or company vision. It's essentially the company's operational blueprint. The business philosophy explains the company's overall goals and its purpose. The philosophy also outlines the values that are important to the company. As a business entity, a company's philosophy is a reflection of the values of its leaders. Some business philosophies are very well known, such as Google's, which lists such attributes as, "It's best to do one thing really, really, well," and, "You can make money without doing evil." Once a company creates a business philosophy it must articulate the philosophy to its employees.

THE IMPORTANCE OF A BUSINESS PHILOSOPHY

Taking a trip to a new city without a map or GPS can be very frustrating. You won't know how to get there or how long it will take you. The same analogy can be used for companies that lack a clear philosophy. If the employees don't know the company's ultimate goals or its values, they can feel lost in their day-to-day work lives. By extension they may not give the best customer service or work in the most effective manner. By establishing a mission statement and articulating a company's vision, a business can avoid these issues.

Composing a Business Philosophy

A good business philosophy successfully outlines a company's values, beliefs and guiding principles. Creating a philosophy takes time and diligence on the part of business leaders. In composing the philosophy, leaders should ask themselves, "What is the nature of my business?" "Who is my customer?" "What values are important to me?" and "What is my overall vision for the company?" The answers to these questions will form the basis of a sound business philosophy.

Communicating the Business Philosophy

Once a company creates a business philosophy it must communicate the message to its employees. There are several ways of achieving this goal. Many companies introduce employees to the business philosophy during the new hire orientation process. Some businesses display the company's mission statement on websites, logos, posters and other office products as a way to continually remind employees of the company's vision. Another way is to meet individually with

work groups within the organization to make sure the departmental goals are in line with the company's overall goals. Whichever avenue a company chooses, it's important to effectively communicate the philosophy to the employees.

Here are 9 simple philosophies that changed my entrepreneurial life:

- Don't make excuses, make improvements

In most cases, things won't work out the way you want them to. It can be anything from missing revenue projections to launching your product on time and even getting sued for silly little things.

It's natural to make excuses for why things didn't go the way you wanted. But that won't do you any good because it won't solve your problems.

Instead of making excuses, focus on solving the problems. They probably won't get fixed right away, but as long as you are making improvements, you'll eventually get there.

- Don't stop when you're tired, stop when you're done

You will get tired of being an entrepreneur, and you'll probably even get burnt out... especially when things aren't going well. What's helped me succeed over the years is that I am persistent. It doesn't matter whether I am exhausted or feel that I've put enough hours in the day; I just don't ever stop until things are done.

The moment you stop is the day you fail. As long as you keep chugging along, eventually you will accomplish your goals.

- Honesty is a very expensive gift, do not expect it from cheap people

As an entrepreneur, you will have to look to other people for feedback and advice. I've learned that not all advice is equal as some people give better advice than others.

The best advice you will ever get is the truth. The truth may hurt, but it will save you time and money.

Just don't expect the truth from people who care about saving your feelings. That won't help you accomplish your goals; it will just put you back.

- Work hard in silence and keep your success to yourself

When I started doing somewhat well, I wanted to show off. I wanted to tell people about my successes, buy fancy objects to demonstrate my accomplishments and share with the world how “I made it”.

In the long run, buying expensive objects didn’t make me happy. Telling people about my success just caused people to think I was arrogant and, even worse, created more competition.

Don’t worry about telling people about your success as it won’t do you any good. Just focus on your work, and keep your mouth shut because the last thing you need is more competitors.

- Don’t get sidetracked by people who are not on track

It’s easy to get sidetracked, especially by other people. If you don’t focus on your core business model, you’ll find yourself spinning your wheels and getting nowhere.

One of the best ways to avoid this is to not let people who don’t have their life together affect your business decisions. If you want to do well, you need to start hanging out with like-minded people. By being around people who have their life together and are successful, you are less likely to get sidetracked.

- Behind every successful person are a lot of unsuccessful years

When people look at what I have accomplished, most of the time they feel that I’ve done it over the last few years. What they forget to realize is that I have been an entrepreneur for over 10 years.

During that 10-year period, I’ve lost millions of dollars, made more mistakes than I can count and put countless hours into my businesses.

Most entrepreneurs don’t strike it rich with their first startup... a lot of people fail before they succeed. So, as long as you keep pushing forward as an entrepreneur, your odds of succeeding will go up over time.

- Live in such a way that if someone spoke badly of you, no one would believe it

Businesses come and go, but the one thing you should protect more than anything else is your reputation. Your reputation will affect any new business ventures or a job you may try to get later.

Treat your reputation as if it were more valuable than gold. Always help others out, and never speak badly about other people. Be so kind and helpful that if someone spoke badly about you, no one would believe that person.

Sometimes when you follow your dream, it opens the door for others to be able to follow theirs. Entrepreneurship isn't just about you. You won't be able to fulfill your dreams without the help of other people.

As you are following your dreams, make sure you don't forget about the people who helped you get there. Find out what their dreams and goals are and help them accomplish them.

My business partner and I have continually helped all of our team members reach their dreams over the last ten years, and this has also helped us retain most of our valuable team members. This is important because it is really hard to find good talent... so you might as well take care of them.

Just because you are struggling does not mean you are failing

Every great success requires some kind of struggle. Nothing worthwhile is easy, so don't expect your entrepreneurial career to be easy.

You will have to work hard, fight through the tough times and keep pushing forward. If being an entrepreneur was so easy and didn't require any hardship, everyone would be one.

So, when you are struggling, don't give up and keep pushing forward until you see the light at the end of the tunnel.

- The hardest thing to open is a closed mind

No matter how good of a salesperson you are, some people just don't want to hear you talk. They have a closed mind, and they feel they know everything.

You could try to be persistent with people like this, but I've found that the hardest thing to open is a closed mind. So, instead of wasting my time, I just move on.

You will be strapped for time as an entrepreneur... especially when you are just starting out because you won't have much cash or people to help you. So, do yourself a favor and don't waste your time with people who are close-minded.

- If you help people get what they want, you can get what you want

The lesson that took me the longest to learn is that you have to help people to get what you want. Business is all about relationships, and you can't keep asking people for favors without repaying them.

I've also learned that if I help people out, they will go an extra mile to help me out. And if you help people without expecting anything in return, people will go extra ten miles to help you. Keep paying it forward by helping everyone out there... no matter how big or small they may be. Sooner or later, the universe will pay it back ten-fold.

BEHAVIOURAL ORIENTATION:

Task-oriented (or task-focused) leadership is a behavioral approach in which the leader focuses on the tasks that need to be performed in order to meet certain goals, or to achieve a certain performance standard.

CONFLICT IN FAMILY BUSINESS AND ITS RESOLUTIONS:

Conflict is a fact of family business life. According to the Family Firm Institute, 20% of family businesses report weekly conflict, another 20% report monthly conflict, and 42% report conflict three to four times per year. You can draw your own conclusions about the 18% who report no conflict at all!

It's worth noting that not all disagreements rise to the level of conflict. Disagreement is a difference of facts, perceptions, beliefs, or expectations. Conflict is a higher level of disagreement; it's the belief of two or more people that their positions are mutually exclusive.

When two or more individuals must act upon or implement their needs, values, or interests, and they perceive others are blocking or opposing them, conflict arises. In life, and especially in families and businesses where values and interests are deeply held and tied to future happiness, conflict is inevitable and sometimes can even be positive.

Rather than mask or deny inevitable conflict, conflict resolution brings differences to the surface and creates a comfortable, safe space and set of skills to successfully move forward while enhancing the relationships involved.

RESOLUTIONS:

Leverage formal governance structures to mitigate conflict

One issue that we have seen arise in many family businesses is that family members may lack a forum for discussing issues in the business. Formal structures like family councils, boards, and family forums can offer family members a safe, organized way to bring up issues and negotiate conflict. Formal governance can also help mitigate family and financial issues by separating ownership of the business from its management functions. Give family members space (and permission) to air grievances

One problem that we frequently see in businesses with a first-generation matriarch or patriarch is that family members may lack a safe way to express their needs and concerns. When people don't feel listened to or appreciated, seemingly small problems can mushroom into major business and family drama. To help prevent conflicts, family leaders should actively encourage family members to air concerns constructively and give them the space they need to disagree. Senior leaders should come prepared to listen without judgment and be willing to fairly consider what is being brought up.

Don't let business bleed into family time (too much)

It's very challenging to keep from bringing business home, but one way that conflicts turn into family drama is by failing to keep them separate. Family business leaders must set the example by separating business and family time as much as possible. One way to make this separation possible is by having formal spaces and structured times to discuss business issues. Explicitly making other times no-business zones can help family members relax into their personal roles and get away from work.

Communicate early and often about issues

Many large complications start as small problems that could have been resolved with early intervention. Sometimes, spotting issues early and addressing them through clear communication can be enough to prevent a conflict from developing. Even when family members see each other regularly in the business, formal family meetings can be a better place to hash out complex issues. Whether it's at a family retreat or simply at a separate meeting, making a break from daily routine to tackle the big issues can help open lines of communication. A formal setting can

also help ensure that issues are not ignored and that members of the family have the opportunity to make their opinions heard.

Bring in experts to mediate major conflicts

Some issues simply cannot be resolved internally. When family members become entrenched and constructive dialogue isn't possible, an objective expert who is trained to help resolve conflict can help cut through the emotions and focus on issues. A mediator can also help guide a family through initial conversations all the way to a final resolution. We have found that many family groups can achieve more in a few hours with an outside expert than they have in years by themselves.

Final Thoughts

Many conflicts boil down into age-old family disputes. It's common to see businesses that mirror family hierarchies. For example, parents might run the company together, a favoured eldest child might serve in an executive role while other children and spouses fill in other management positions. However, these parent-child and family dynamics can make the separation of family and business even more difficult. Leaders must be able to treat children like employees and managers during business time to help reduce the risk that family dynamics will damage the business culture.

Ultimately, managing family conflicts often comes down to creating better communication skills as a family. While conflict can never be completely avoided, treating it as a normal part of business and developing the skills to handle it can go a long way toward building healthier business and family ties.

POSSIBLE QUESTIONS:

PART A(20*1=20)

ONLINE EXAM

PART B(5*2=10):

1. What is business group?
2. Define business philosophy.
3. Name few conflicts in family business.
4. Write few business houses in India.
5. What is behavioral orientation?
6. Name some role models in Indian business.
7. What are the advantages of family business?
8. What are the disadvantages of family business?
9. What is MSME?
10. What are the resolutions for the conflicts in family business.

PART C(5*6=30):

1. Explain the role of business group in India.
2. Explain the role of entrepreneurship in economic development.
3. What are the conflicts in family business and its resolution?
4. Explain the role of business group and family business in India.
5. What are the resolution in family business?
6. Explain about entrepreneurship and MSME.
7. Who are the contemporary role models in Indian business?

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	The _____ measures the payments that flow between any individual country and all other countries.	International Business	Economies of Scales	Balance of Payment	None of the given options	Balance of Payment
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 typical _____ has a climate and reward system that favor conservative decision making.	Entrepreneurship culture	Corporate culture	Intrapreneurial culture	None of the given options	Corporate culture
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	Bankers say that most businesses fail because of the _____ inability to plan properly.	Investor's	Marketer's	Entrepreneur's	Consultant's	Entrepreneur's
23	The _____ of a venture could be that the company has experience in related business.	Strength	Weakness	Opportunity	Threat	Strength
24	The marketing plan should focus on strategies and for the first year, goals and strategies should be projected _____.	Daily	Weekly	Monthly	Quarterly	Monthly
25	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
26	Secondary data can be obtained from all of the following sources, except:	Internet	Magazine	Bureau of statistics	Focus group	Focus group
27	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
28	In _____, the death of entrepreneur results in the termination of venture.	Proprietorship	Limited company	Limited partnership	Corporation	Proprietorship
29	In partnership, the ability to raise capital depends on the _____ of the business.	Expansion	Success	Size	Nature	Success
30	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.
31	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
32	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
33	Which of the following does NOT represent a method through which organizational culture is learned?	Stories	Conflict	Rituals	Material symbols	Conflict
34	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.

35	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
36	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
37	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.
38	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
39	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.
40	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	Limited liability company	Sole proprietorship
41	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
42	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
43	A(n) _____ is a legal business entity that is separate from its owners and managers.	Sole proprietorship	General partnership	Corporation	Limited liability company	Corporation
44	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
45	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.
46	Which of the following is recognized as the most common type of patent?	Utility patent	Design patent	Plant patent	Cultural patent	Utility patent
47	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
48	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

49	Which of the following is NOT a characteristic of an effective team?	External support	Clear goals	Irrelevant skills	Mutual trust	Irrelevant skills
50	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
51	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
52	The solution development is	Big-Dream approach	Parameter Analysis	Creative synthesis	None of the above	Creative synthesis
53	Perceived benefits /risks involve the following factors:	Utility to customer	Consumption habits	Buying motives	All of the above	All of the above
54	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
55	Marketing mix includes:	Product or service	Financing	Consumer	Retailer	Product or service
56	Which of the following statement is true for tax advantage of proprietorship?	There is double tax on profits	There is no capital stock tax or penalty for re tained earnings	Both of the options given	None of the options given	There is no capital stock tax or penalty for re tained earnings
57	Industry analysis should include information on:	Market size of competitor's product	Growth rate of suppliers	New products entry	Economic conditions	Economic conditions
58	We need to update the business plan because.....	Environmental factors and internal factors can change the direction of the plan	Goals set by the entrepreneurs may be unreasonable.	Goals may not be measurable.	Goals may not be specific	Environmental factors and internal factors can change the direction of the plan
59	Marketing research involves the gathering of data in order to determine information as:	Who will buy the product?	What price should be charged?	What is the most effective promotion strategy?	All of the mentioned options	All of the mentioned options
60	The most often used type of funds is	Inter nally gener ated funds	Externally generated funds	Commercial bank funds	None of the mentioned options	Inter nally gener ated funds

UNIT-III

SYLLABUS

Institutional services to entrepreneurship - DIC, SIDO, NSIC, SISI, SSIC, SIDCO – ITCOT, IIC, KUIC, and commercial banks.

INSTITUTIONAL FINANCE TO ENTREPRENEURS:

District Industries Center (DIC)

1. All the MSMEs are offered various services and support under the single roof of the District Industries Centre.
2. This Centre caters to Promotion of MSMEs as also Registration and Development of Industrial Cooperatives.
3. Administration: The General Manager is the head of the District Industries Centre. The post of General Manager is of Joint / Deputy Director Level. The General Manager is assisted by the Project Manager, Manager (Credit), Manager (Economic Investigation)/ Manager (Village Administration) and an office Superintendent.
4. Monitoring of DICs: The functioning of DICs and their achievement is monitored by the Principal Secretary/ Industries Commissioner & Director Of Industries & Commerce. The Review of the General Managers is organized frequently to evaluate the performance and also help in resolving difficulties in implementation of different schemes.
5. To resolve the problems of industries/industrialists, there are two types of committee at the district level viz.
 - a) Single Window Clearance Committee (SWCC) Entrepreneurs face many difficulties when they start new industries. They have to deal with many government agencies and get many clearances. SWCC helps them in guiding solving their problems at a Single Window. This committee is chaired by the District Collector. The General Manager of DIC is the Member Secretary and the connected line departments such as District Fire officer, Deputy Director (Health), Deputy Director (Town & Country Planning) are members of this committee.
 - b) District Enterprises Development Consultative Committee (DEDCC) Government have recently Constituted the District Enterprises Clearance Committee Vide G.O Ms No 53 MSME

(D2) Department dated 27.12.2012 The Committee is Chaired by the District Collector as the Chairman of this Committee and General Manager of DIC is the Member Secretary. The other members of the DIEC are President of District Panchayat, DDO, MP, MLAs, Prominent persons active in Industries in the district and members of all district level industries associations.

6. Activities of DICs

A.Registration Cottage & Handicrafts

Registration B. Incentive schemes

The following incentives are being extended to Micro, Small and Medium Enterprises in the State:-

- I. Subsidy schemes for micro manufacturing enterprises:
- II. Subsidy schemes for Industrially Backward Blocks and Agro Based Enterprises:
- III. Special Capital Subsidy for Thrust Sector Enterprises IV. Generator Subsidy V. Back-ended Interest Subsidy VI. Value Added Tax Reimbursement Subsidy

C. Implementation of Self Employment schemes

- I. The following Schemes are being implemented in the State:-
- II. Prime Minister's Employment Generation Programme (PMEGP)
- III. Unemployed Youth Employment Generation Programme.
- IV. New Entrepreneur-Cum- Enterprise Development Scheme (NEEDS)

D. Co-operative.

E. Enforcement of Quality Control orders.

The Quality Control Order Enforcement Centre for Domestic Electrical Appliances functioning under the Commission rate of Industries and Commerce is engaged in creating awareness among consumers in Tamilnadu to use quality electrical products. The electrical and electronic wing of the Commission rate implements the Household Electrical Appliances (Quality Control) Order, 1981 and the Electrical Wires, Cables, Appliances, and Protection Devices and Accessories (Quality Control) Order, 2003. Contravention of the first Order is punishable under the Essential Commodities Act, 1955. The second Order prohibits manufacture / storage for sale or distribution of specified items without the Bureau of Indian Standard marking.

Contravention of this order attracts penal action under Bureau of Indian Standards Act. The General Manager, District Industries Centre of the concerned District and the Deputy Director (E&E), Quality Control Order Enforcement Centre, Chennai has been designated as the “Appropriate Authority” for the implementation of the provisions of these Orders. To create better awareness among the general public, advertisement and press releases are issued from the offices of Deputy Director (E&E), Quality Control Order Enforcement Centre, Chennai and various other regional offices.

F. Steel & Steel Products (Quality Control) Order 2012.

The Ministry of Steel, Government of India have notified Steel and Steel Products (Quality Control) Order, 2012 and Steel and Steel Products (Quality Control) Second Order, 2012 to ensure that quality steel products reach the consumers. These orders cover 16 Steel products under Mandatory Bureau of Indian Standards Certification. As per these orders “No person shall by himself or through any person on his behalf manufacture or Store for sale, Sell or Distribute any Steel and Steel Products specified in the schedule which do not conform to the specified standards and do not bear standard mark of the Bureau of Indian Standards. In the said order, the General Managers, District Industries Centres have been designated as the “Appropriate Authority” for implementation of the provisions of these orders. In order to create awareness among the Manufacturers and Consumers about the notification issued by the Government of India for implementation of Steel and Steel Products Quality Control Order, the General Managers of District Industries Centres are taking action by giving wide publicity through Newspaper and also through Association Magazines. G. Rehabilitation of Sick MSMEs.

The Rehabilitation of Sick Micro, Small and Medium Enterprises envisages assistance for conducting a diagnostic study of sick enterprises, scrutiny of the above study report by a sub-committee of the State Level Inter-Institutional Committee (SLIIC) constituted by the Reserve Bank of India and chaired by the Secretary, Micro, Small and Medium Enterprises Department for rendering rehabilitation assistance to sick Micro, Small and Medium enterprises, which meets on every quarter. The Reserve Bank of India conducts the study on viability of sick units and the Banks provide financial assistance wherever possible along with other hand-holding steps like

counseling the borrowers, analyzing the problems faced by the units etc. The Government have constituted the State Level Rehabilitation Committee (SLRC) under the Chairmanship of the Secretary to Government, Micro, Small and Medium Enterprises Department to look into the problems and the extent of sickness of MSMEs so as to suggest measures for their rehabilitation. The above Committee has to meet on quarterly basis to review and monitor the implementation of the Rehabilitation Scheme of sick MSMEs in the State. H. Micro Small Enterprises

Facilitation Council:

The Government of Tamilnadu have constituted four Regional Micro and Small Enterprises Facilitation Councils at Chennai, Tiruchirappalli, Madurai and Coimbatore to facilitate speedy settlement of the payments of dues with respect to the goods supplied to major industrial undertakings by the micro and small enterprises in accordance with the Micro, Small and Medium Enterprises Development Act 2006.

SIDO

Small Industries Development Organization (SIDO) is a subordinate office of the Department of SSI & Auxiliary and Rural Industry (ARI). It is an apex body and nodal agency for formulating, coordinating and monitoring the policies and programmes for promotion and development of small-scale industries.

Development Commissioner is the head of the SIDO. He is assisted by various directors and advisers in evolving and implementing various programmes of training and management, consultancy, industrial investigation, possibilities for development of different types of small-scale industries, industrial estates, etc.

The main functions of the SIDO are classified into:

- (i) Co-ordination,
- (ii) Industrial development, and
- (iii) Extension.

These functions are performed through a national network of institutions and associated agencies created for specific functions. At present, the SIDO functions through 27 offices, 31 Small

Industries Service Institutes (SISI), 37 Extension Centres, 3 Product-cum -Process Development Centres, and 4 Production Centres.

All small-scale industries except those falling within the specialized boards and agencies like Khadi and Village Industries (KVI), Coir Boards, Central Silk Board, etc.,

The main functions performed by the SIDO in each of its three categories of functions are:

Functions Relating to Co-ordination:

- a. To evolve a national policy for the development of small-scale industries, b.
- To co-ordinate the policies and programmes of various State Governments,
- c. To maintain a proper liaison with the related Central Ministries, Planning Commission, State Governments, Financial Institutions etc., and
- d. To co-ordinate the programmes for the development of industrial estates.

Functions Relating to Industrial Development:

- a. To reserve items for production by small-scale industries,
- b. To collect data on consumer items imported and then, encourage the setting of industrial units to produce these items by giving coordinated assistance,
- c. To render required support for the development of ancillary units, and
- d. To encourage small-scale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance.

Function Relating to Extension:

- a. To make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design,
- b. To provide consultancy and training services to strengthen the competitive ability of small-scale industries.
- c. To render marketing assistance to small-scale industries to effectively sell their products, and
- d. To provide assistance in economic investigation and information to small-scale industries.

NSIC

National Small Industries Corporation Limited (NSIC) is a Mini Ratna PSU established by the Government of India in 1955. It falls under Ministry of Micro, Small & Medium Enterprises of India. NSIC is the nodal office for several schemes of Ministry of MSME such as Performance & Credit Rating, Single Point Registration, MSME Databank, National SC ST Hub, etc. It was established in 1955 to promote and develop micro and small scale industries and enterprises in the country. It was founded as a Government of India agency later made into a fully owned government corporation.

Operations

National Small Industries Corporation Ltd. (NSIC), is an ISO 9001-2008 certified Government of India Enterprise under Ministry of Micro, Small and Medium Enterprises (MSME).

NSIC operates through countrywide network of offices and Technical Centres in the Country. To manage operations in African countries, NSIC operates from its office in Johannesburg, South Africa. In addition, NSIC has set up Training cum Incubation Centre & with a large professional manpower, NSIC provides a package of services as per the needs of MSME sector.

NSIC has recently partnered with Rubique, to facilitate lending for MSME segment. Rubique & NSIC will work together to create an interface which will ease credit facilitation for MSMEs by allowing quicker decision making and evaluation and to widen the product offerings will bring their respective bank/FI tie-ups under one umbrella for MSME.

OBJECTIVES

Government of India to promote small and budding entrepreneurs of post independent India, decided to establish a government agency which can mediate and provide help to small scale industries (SSI). As such they established National Small Industries Corporation with objectives to provide machinery on hire purchase basis and assisting and marketing in exports. Further, SSI's registered with NSIC were exempted from paying Earnest money and provided facility of free participation in government tendered purchases. Also for training persons the training facilities centres and for providing assistance in modernising the small industries several branches of NSIC were opened up by government over the years in several big and small towns, where small industries were growing.

NSIC also helps in organising supply of raw materials like coal, iron, steel and other materials and even machines needed by small scale private industries by mediating with other government companies like Coal India Limited, Steel Authority of India Limited, Hindustan Copper Limited and many others, who produce this materials to provide same at concessional rates to SSIs. Further, it also provides assistance to small scale industries by taking orders from Government of India owned enterprises and procures these machineries from SSI units registered with them, thus providing a complete assistance right from financing, training, providing raw materials for manufacturing and marketing of finished products of small scale industries, which would otherwise not be able to survive in face of competition from large and big business conglomerates. It also helps SSI by mediating with government owned banks to provide cheap finance and loans to budding small private industries of India.

Nowadays, it is also providing assistance by setting up incubation centres in other continents and also international technology fairs to provide aspiring entrepreneurs and emerging small enterprises a platform to develop skills, identify appropriate technology, provide hands-on experience on the working projects, manage funds through banks, and practical knowledge on how to set up an enterprise.

SUSTAINABILITY SUPPORT AND INFORMATION CENTRE (SSIC)

Sustainability Support in decision making towards the design of products and services for the circular economy.

The SSIC provides information on the sustainability of material stocks, evidence on resource efficiency, analysis of critical raw material savings, guidance on innovation options for life cycle impact hotspots, sustainable up-scaling scenarios, socio-economic costs and benefits, job creation

potential of new technologies, market potential, recyclability benefits of new waste valorization options, etc.

SMALL INDUSTRIES SERVICE INSTITUTES (SISI)

Established in 1956 this institute—one in each State has been rendering very useful service to small scale industries. The assistance rendered by the institute and its extension centres in Tamilnadu may be listed as follows :

1. Technical Consultancy and Advisory Service: This relates to selector of profitable small enterprises, choice of appropriate machinery and equipment, appraisal of the technique of" manufacture, processing of raw materials, adoption of recognised standards of testing, quality performance of the small industry products and encouraging small units to participate in Governments stores Purchase Programme. The Institute explores the possibility of setting up small scale units to supply parts/components to large scale industries.
2. Common Facility Service: This includes supply of designs and drawings and provision of workshop facilities for the manufacture of dies, tools, jigs and fixtures and components.

3. Training Facilities: Training is provided to workers in basic trades in the workshops attached to this Institute and its extension centres, to increase their productivity and this helps to encourage development of small scale industries in rural areas.

Training in various aspects of industrial and business management is also provided for the benefit of small industrialists.

A training course in small industries entrepreneurship and management to young engineers with emphasis on the practical aspects of small industries management Is conducted. This has been Instrumental in creating a new class of qualified entrepreneurs.

4. Testing Facilities: Basic testing facilities (both physical and chemical) are provided in the laboratories and workshops attached to this institute at concessional rates.

5. Marketing Assistance: Economic information on the nature and extent of the market for specific products is collected and furnished to small industrialists at their request. The institute offers export promotion service by counselling on export procedures and trends in foreign markets.

Market survey for specific products of small enterprises is also undertaken on a regional basis to enable a small industrialist to increase the sales of his products in the region.

The special information bureau, called the Tamilnadu Sub Contract Exchange, is a Central Information Centre where machine capacities of small scale industries are registered and enquiries from large industries for the manufacture of different components are passed on to registered small scale units having spare capacity, so as to enable them to feed the requirements of large scale units. The institute conducts economic surveys of particular areas to ascertain their industrial potential.

Small Industries Development Corporation (SIDCO)

In Tamilnadu SIDCO is the state small industries corporation. It plays a lead role in developing small scale sector. It provides the following facilities to small scale units:

- (a) Provision of constructed sheds/plots in industrial estates. These are sold to entrepreneurs on hire-purchase basis or given on rental basis.
- (b) Assistance in procuring some scarce key raw materials like iron and steel, paraffin wax, potassium chlorate, Fatty Acids, etc., through its various distribution centres. Financial assistance in the form of subsidies to industrial units in back areas like Central Investment Subsidy, State Capital Subsidy, Interest Sales Tax Loans, Power Tariff Subsidy and Margin Money Assistance the Rehabilitation of the Sick Small Scale Industries.
- (c) Marketing Assistance to small entrepreneurs.

In many state governments, for the promotion of small scale industries, a separate corporation has been set up which is known as Small Industries Development Corporation. They undertake all kinds of activities for the promotion of small scale industries. Right from the stage of installation, to the stage of commencing production, these Corporations help small scale industries (SSI) in many ways.

In short, they provide infrastructure facilities to small scale industries. Due to the assistance provided by SIDCO, many backward areas in most of the states have been developed. So, SIDCO has also been responsible in spreading the industrial activity throughout several states.

Objectives of SIDCO

The following are the main objectives of SIDCO

1. The main objective of SIDCO is to stimulate the growth of industries in the small scale sector
2. To provide infrastructure facilities like roads, drainage, electricity, water supply, etc is one of the primary objective of SIDCO.
3. To Promote industrial estates which will provide industrial sheds of different sizes with all basic infrastructure facilities.
4. To Provide technical assistance through training facilities to the entrepreneurs.
5. To Promote skilled labor through the setting up of industrial training institutes.

Functions of SIDCO

SIDCO supplies scarce raw materials:

Some of the scarce raw materials are procured by the corporation either from the domestic market or from abroad and are provided to the needy small scale industries. For this purpose, SIDCO has a number of raw material depots and these depots are procuring various scarce raw materials, as per the requirements of small scale industries in the state. SIDCO provides marketing assistance:

In order to provide an efficient marketing support to small scale industries, the corporation has taken up various schemes. In fact, the corporation participates in the tenders floated by the state government departments and also with the DGS & D (Director General of Supplies and Disposal). SIDCO makes advance payments for obtaining orders and distribute them among the various small scale units. SIDCO also arranges for buyer — seller meets frequently. SIDCO assists in Bills discounting:

When small scale units supply goods to government departments, there is a delay in receiving payments. In such a situation, the bills drawn on government departments will be discounted by SIDCO and upto 80% of the bill value is given to the supplier. This helps the SSI units in solving their working capital crisis.

SIDCO provides Export marketing assistance:

To promote export marketing among the small scale industries, SIDCO has developed websites because of which it is able to display the products of the small scale industries in foreign markets

and obtain export orders. Once an export order is obtained, the Common export manager of SIDCO will make arrangements for extending various services for export of the product. SIDCO also helps in the small scale units taking part in the international trade fair at New Delhi, Pragati Maidan so that the products of small scale industries of Tamil Nadu are displayed. SIDCO set up Captive power plants:

In order to provide uninterrupted and good quality power supply, SIDCO has taken up a plan to set up captive power plants in major industrial estates. It is now planning to set up these plants in 10 industrial estates.

SIDCO promotes skill development centres:

In an effort to supply skilled laborers to various small scale industries, skill development centres are being set up in various industrial estates which will be training workers in varied industrial activities and they will be trained in modern skill.

ITCOT

ITCOT stands for Industrial and Technical Consultancy Organisation of Tamil Nadu (India) The main functions performed by the ITCOT in each of its three categories of functions are:

- To evolve a national policy for the development of small-scale industries,
- To co-ordinate the policies and programmes of various State Governments,
- To maintain a proper liaison with the related Central Ministries, Planning Commission, State Governments, Financial Institutions etc., and
- To co-ordinate the programmes for the development of industrial estates.
- To reserve items for production by small-scale industries,
- To collect data on consumer items imported and then, encourage the setting of industrial units to produce these items by giving coordinated assistance,
- To render required support for the development of ancillary units, and
- To encourage small-scale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance.
- To make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design,

j. To provide consultancy and training services to strengthen the competitive ability of small-scale industries.

k. To render marketing assistance to small-scale industries to effectively sell their products, and l. To provide assistance in economic investigation and information to small-scale industries.

IIC

The Inter-American Investment Corporation (IIC), a member of the Inter-American Development Bank (IDB) Group, is a multilateral organization based in Washington, D.C., that is committed to the development of Latin America and the Caribbean through the private sector. As part of its mission, the IIC supports the private sector and state-owned enterprises through financing in the form of loans, equity investments, and guarantees. The IIC also partners with clients to provide advisory and training services.

In January 2016, the IDB Group consolidated its private sector operations in the IIC to better serve the region, clients and partners, and to maximize its development impact. The consolidated IIC offers the full array of private sector products and services previously offered across the IDB Group.

As part of its mission, the IIC partners with the private sector in Latin America and the Caribbean to bolster competitiveness and growth while ensuring sustainability. It provides financial products and advisory services to large corporates, financial intermediaries, micro, small and medium enterprises (MSMEs), and partially or wholly-owned state enterprises.

The IIC offers financing in the form of loans, equity investments and guarantees to encourage the establishment, expansion, and modernization of private and state-owned enterprises. It works closely with the private sector to help overcome core challenges to growth, to refine business strategies, and embrace new technologies to improve productivity.

IIC financing is also a catalyst for attracting other resources in the form of additional financing, technology, and know-how through co-financing and syndication in order to maximize developmental impact.

Projects financed by the IIC aim to offer profitable investment opportunities and foster economic development. From creating jobs and broadening capital ownership to facilitating transfers of

resources and technology, projects should help spur economic growth and promote sustainability. Projects that generate foreign exchange income or promote the economic integration of Latin America and the Caribbean are also eligible for IIC funding.

All projects financed by the IIC are subject to an environmental and social review process, including but not limited to an assessment of compliance with domestic environmental legislation, waste management practices, and relevant occupational health and safety issues. The IIC only invests in for-profit projects and charges market rates for the products and services it provides.

KHADI AND VILLAGE INDUSTRIES COMMISSION (KVIC)

KVIC was established in 1953 with the primary objective of developing Khadi and Village industries and improving rural employment opportunities. Its wide range of activities include training of artisans, extension of assistance for procurement of raw materials, marketing of finished products and arrangement for manufacturing and distribution of improved tools, equipment and machinery to producers on concessional terms.

KVIC provides assistance to Khadi and Village industries which are characterised by low capital intensity and ideally suited to manufacturing utility goods by using locally available resources. There are about 26 specified village industries such as processing of cereals and pulses, leather, cottage matches. Gur and Khandsari, palm gur, non-edible oils and soaps, bee-keeping, village pottery, carpentry and blacksmithy, gobargas, household aluminium utensils, etc.

KVIC's policies and programmes are executed through 30 State Khadi and Village Industries Boards, 2320 institutions registered under the Societies Registration Act. 1960 and about 30,600 Industrial Cooperative Societies registered under State Cooperative Societies Act. Activities involving pioneering types of work, such as developing new industries in hilly, backward and inaccessible areas are undertaken by KVIC directly.

COMMERCIAL BANK

A commercial bank is a financial institution which performs the functions of accepting deposits from the general public and giving loans for investment with the aim of earning profit.

In fact, commercial banks, as their name suggests, are profit-seeking institutions, i.e., they do banking business to earn profit.

They generally finance trade and commerce with short-term loans. They charge high rate of interest from the borrowers but pay much less rate of interest to their depositors with the result that the difference between the two rates of interest becomes the main source of profit of the banks. Most of the Indian joint stock Banks are Commercial Banks such as Punjab National Bank, Allahabad Bank, Canara Bank, Andhra Bank, Bank of Baroda, etc. Deposits are of three types as under:

(i) Current account deposits:

Such deposits are payable on demand and are, therefore, called demand deposits. These can be withdrawn by the depositors any number of times depending upon the balance in the account. The bank does not pay any interest on these deposits but provides cheque facilities. These accounts are generally maintained by businessmen and industrialists who receive and make business payments of large amounts through cheques.

(ii) Fixed deposits (Time deposits):

Fixed deposits have a fixed period of maturity and are referred to as time deposits. These are deposits for a fixed term, i.e., period of time ranging from a few days to a few years. These are neither payable on demand nor they enjoy cheque facilities.

They can be withdrawn only after the maturity of the specified fixed period. They carry higher rate of interest. They are not treated as a part of money supply. Recurring deposit in which a regular deposit of an agreed sum is made is also a variant of fixed deposits.

(iii) Savings account deposits:

These are deposits whose main objective is to save. Savings account is most suitable for individual households. They combine the features of both current account and fixed deposits. They are payable on demand and also withdrawable by cheque. But bank gives this facility with some restrictions, e.g., a bank may allow four or five cheques in a month. Interest paid on savings account deposits is lesser than that of fixed deposit. Difference between demand deposits and time (term) deposits:

1.Two traditional forms of deposits are demand deposit and term (or time) deposit:

(i) Deposits which can be withdrawn on demand by depositors are called demand deposits, e.g., current account deposits are called demand deposits because they are payable on demand but saving account deposits do not qualify because of certain conditions on withdrawal. No interest is paid on them. Term deposits, also called time deposits, are deposits which are payable only after the expiry of the specified period.

(ii) Demand deposits do not carry interest whereas time deposits carry a fixed rate of interest.

(iii) Demand deposits are highly liquid whereas time deposits are less liquid,

(iv) Demand deposits are chequable deposits whereas time deposits are not.

2. It gives loans and advances:

The second major function of a commercial bank is to give loans and advances particularly to businessmen and entrepreneurs and thereby earn interest. This is, in fact, the main source of income of the bank. A bank keeps a certain portion of the deposits with itself as reserve and gives (lends) the balance to the borrowers as loans and advances in the form of cash credit, demand loans, short-run loans, overdraft as explained under. (i) Cash Credit:

An eligible borrower is first sanctioned a credit limit and within that limit he is allowed to withdraw a certain amount on a given security. The withdrawing power depends upon the borrower's current assets, the stock statement of which is submitted by him to the bank as the basis of security. Interest is charged by the bank on the drawn or utilised portion of credit (loan).

(ii) Demand Loans:

A loan which can be recalled on demand is called demand loan. There is no stated maturity. The entire loan amount is paid in lump sum by crediting it to the loan account of the borrower. Those like security brokers whose credit needs fluctuate generally, take such loans on personal security and financial assets.

(iii) Short-term Loans:

Short-term loans are given against some security as personal loans to finance working capital or as priority sector advances. The entire amount is repaid either in one instalment or in a number of instalments over the period of loan.

Investment:

Commercial banks invest their surplus fund in 3 types of securities:

(i) Government securities, (ii) Other approved securities and (iii) Other securities. Banks earn interest on these securities.

(B) Secondary Functions:

Apart from the above-mentioned two primary (major) functions, commercial banks perform the following secondary functions also.

3. Discounting bills of exchange or bundles:

A bill of exchange represents a promise to pay a fixed amount of money at a specific point of time in future. It can also be encashed earlier through discounting process of a commercial bank. Alternatively, a bill of exchange is a document acknowledging an amount of money owed in consideration of goods received. It is a paper asset signed by the debtor and the creditor for a fixed amount payable on a fixed date. It works like this.

Suppose, A buys goods from B, he may not pay B immediately but instead give B a bill of exchange stating the amount of money owed and the time when A will settle the debt. Suppose, B wants the money immediately, he will present the bill of exchange (Hundi) to the bank for discounting. The bank will deduct the commission and pay to B the present value of the bill. When the bill matures after specified period, the bank will get payment from A.

4. Overdraft facility:

An overdraft is an advance given by allowing a customer keeping current account to overdraw his current account up to an agreed limit. It is a facility to a depositor for overdrawing the amount than the balance amount in his account.

In other words, depositors of current account make arrangement with the banks that in case a cheque has been drawn by them which are not covered by the deposit, then the bank should grant overdraft and honour the cheque. The security for overdraft is generally financial assets like shares, debentures, life insurance policies of the account holder, etc.

POSSIBLE QUESTIONS:

PART A(20*1=20)

ONLINE EXAM

PART B(5*2=10):

1. What is DIC?
2. What is the role of commercial banks?
3. What are the institutions providing services to entrepreneurship?
4. What are the activities of DIC?
5. Mention the functions SIDO.
6. What is SISI?
7. What are objectives of NSIC?
8. What are objectives of SIDCO?

PART C(5*6=30):

1. Explain SIDCO.
2. Write in brief about SIDO.
3. Explain NSIC.
4. Write in brief about SSIC.
5. Explain the activities of DIC.
6. Write about the functions of SIDO and its category.
7. What are the components of SISI?
8. What are the facilities provided by SISI?
9. Write about the commercial bank.



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: V

SUBJECT CODE: 17CCU503A

CLASS: III B Com CA

UNIT - III

S.NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4	ANSWER
1	Which of the following is not type of Bank Loans? <input type="checkbox"/>	Inventory loans <input type="checkbox"/>	Accounts payable loans <input type="checkbox"/>	Equipment loans <input type="checkbox"/>	Real estate loans <input type="checkbox"/>	Accounts payable loans <input type="checkbox"/>
2	Conventional bank loans include: <input type="checkbox"/>	Lines of credit <input type="checkbox"/>	In stallment loans <input type="checkbox"/>	Straight com mercial loans <input type="checkbox"/>	All of the mentioned options <input type="checkbox"/>	All of the mentioned options <input type="checkbox"/>
3	When an entrepreneur is unable to secure a regular com mercial bank loan, an alternative is a: <input type="checkbox"/>	Small and medium enterprise loan <input type="checkbox"/>	Character loan <input type="checkbox"/>	Small Business Ad ministration (SB Guaranty Loan <input type="checkbox"/>	Equipment loan	Small Business Ad ministration (SB Guaranty Loan <input type="checkbox"/>
4	Installment loans can be obtained by a going ven ture with a track record of: <input type="checkbox"/>	Sales and profits <input type="checkbox"/>	Customers <input type="checkbox"/>	Supplier's chain <input type="checkbox"/>	All of the mentioned options <input type="checkbox"/>	Sales and profits <input type="checkbox"/>
5	What causes people to do something? <input type="checkbox"/>	Need for achievement <input type="checkbox"/>	Need for independence <input type="checkbox"/>	Motivation <input type="checkbox"/>	None of the mentioned options <input type="checkbox"/>	Motivation <input type="checkbox"/>
6	Individuals who help the entrepreneur in business activities <input type="checkbox"/>	Role models <input type="checkbox"/>	Professional-support network <input type="checkbox"/>	Parents <input type="checkbox"/>	None of the mentioned options	Professional-support network <input type="checkbox"/>
7	The managers in an organization strongly supporting intrapreneurship is called ----- <input type="checkbox"/>	Top management commitment <input type="checkbox"/>	Upper management commitment <input type="checkbox"/>	Lower management intrapreneur <input type="checkbox"/>	Upper management intrapreneur <input type="checkbox"/>	Top management commitment <input type="checkbox"/>
8	----- involves a manufacturer giving a foreign manufacturer the right to use a patent, trademark or technology in return for a roaltv <input type="checkbox"/>	Licensing <input type="checkbox"/>	Turn-key projects <input type="checkbox"/>	Management contracts <input type="checkbox"/>	None of the mentioned options <input type="checkbox"/>	Licensing <input type="checkbox"/>
9	In chronological age , most entrepreneurs start their careers between ages <input type="checkbox"/>	22 and 55 <input type="checkbox"/>	30 and 55 <input type="checkbox"/>	40 and 65	None of the given options <input type="checkbox"/>	22 and 55 <input type="checkbox"/>

10	_____ is the combination of at least two firms doing similar businesses at the same market level. <input type="checkbox"/>	Diversified activity Merger <input type="checkbox"/>	Horizontal Merger <input type="checkbox"/>	Joint Venture <input type="checkbox"/>	Vertical Merger <input type="checkbox"/>	Horizontal Merger <input type="checkbox"/>
11	Which of the following is NOT recognized as a misconception about entrepreneurship? <input type="checkbox"/>	Entrepreneurship is found only in small businesses. <input type="checkbox"/>	Entrepreneurship is easy. <input type="checkbox"/>	Successful entrepreneurship needs only a great idea <input type="checkbox"/>	Entrepreneurial ventures and small businesses are different <input type="checkbox"/>	Entrepreneurial ventures and small businesses are different <input type="checkbox"/>
12	All of the following are recognized as potential sources of entrepreneurial ideas EXCEPT: <input type="checkbox"/>	Work experiences, skills, and abilities <input type="checkbox"/>	Familiar and unfamiliar products and services <input type="checkbox"/>	Personal interests or hobbies <input type="checkbox"/>	All of the selections are recognized as potential sources of entrepreneurial ideas. <input type="checkbox"/>	All of the selections are recognized as potential sources of entrepreneurial ideas. <input type="checkbox"/>
13	An _____ is an individual who creates something for the first time, is a highly driven individual motivated by his or her own work and personal ideas. <input type="checkbox"/>	Entrepreneur <input type="checkbox"/>	Inventor <input type="checkbox"/>	Both a and b <input type="checkbox"/>	None of the given options <input type="checkbox"/>	Inventor <input type="checkbox"/>
14	The term entrepreneur came from: <input type="checkbox"/>	Latin <input type="checkbox"/>	French <input type="checkbox"/>	English (UK) <input type="checkbox"/>	none of the given options <input type="checkbox"/>	French <input type="checkbox"/>
15	The term entrepreneur is translated as: <input type="checkbox"/>	between-giver <input type="checkbox"/>	between-taker <input type="checkbox"/>	receiver <input type="checkbox"/>	giver <input type="checkbox"/>	between-taker <input type="checkbox"/>
16	The period in which the money person entered into a contract with the go-between to sell his goods is known as: <input type="checkbox"/>	middle ages <input type="checkbox"/>	18th century <input type="checkbox"/>	17th century <input type="checkbox"/>	earliest period <input type="checkbox"/>	earliest period <input type="checkbox"/>
17	-----viewed the entrepreneur as a risk taker who "buys at an uncertain price, therefore operating at a risk" <input type="checkbox"/>	Eli Whitney <input type="checkbox"/>	Edward Harman <input type="checkbox"/>	Richard Cantillon <input type="checkbox"/>	Thomas Edison <input type="checkbox"/>	Richard Cantillon <input type="checkbox"/>
18	a ----- is a professional money manager who makes risk investment from a pool of equity capital to obtain a high rate of return on investments <input type="checkbox"/>	a) venture capitalist <input type="checkbox"/>	entrepreneur <input type="checkbox"/>	businessman <input type="checkbox"/>	buyer <input type="checkbox"/>	a) venture capitalist <input type="checkbox"/>

19	In the ----- century, the notion of an entrepreneur as an innovator was established <input type="checkbox"/>	17th century <input type="checkbox"/>	late 19th century <input type="checkbox"/>	middle of the 20th century <input type="checkbox"/>	18th century <input type="checkbox"/>	middle of the 20th century <input type="checkbox"/>
20	In almost all definitions of entrepreneurship there is agreement that we are talking about a kind of behavior that includes: <input type="checkbox"/>	initiative taking <input type="checkbox"/>	both the organizing and reorganizing or social/economic mechanisms to turn resources and situations to practical account. <input type="checkbox"/>	the acceptance of risk or failure <input type="checkbox"/>	all of the given options <input type="checkbox"/>	all of the given options <input type="checkbox"/>
21	One effective way to begin the marketing plan is	To make a list of the information that will be needed to prepare the marketing plan. <input type="checkbox"/>	Gathering Data from Secondary Sources <input type="checkbox"/>	Gathering Information from Primary Sources. <input type="checkbox"/>	None of the options given <input type="checkbox"/>	To make a list of the information that will be needed to prepare the marketing plan. <input type="checkbox"/>
22	A focus group <input type="checkbox"/>	Is a sample of 10 or 12 potential investors who participate in a discussion? <input type="checkbox"/>	Is a sample of 10 or 12 potential employees who participate in a discussion? <input type="checkbox"/>	Is a sample of 10 or 12 potential customers who participate in a discussion? <input type="checkbox"/>	None of the options given <input type="checkbox"/>	Is a sample of 10 or 12 potential customers who participate in a discussion? <input type="checkbox"/>
23	The situation analysis is <input type="checkbox"/>	Defining Target Market/Opportunities and Threats. <input type="checkbox"/>	Considering Strengths and Weaknesses <input type="checkbox"/>	A review of where the company has been and considers environmental factors. <input type="checkbox"/>	None of the options given <input type="checkbox"/>	A review of where the company has been and considers environmental factors. <input type="checkbox"/>
24	One of the difficult decisions _____	Is about the distribution of the product <input type="checkbox"/>	Is determining the appropriate price for the product. <input type="checkbox"/>	Is about the promotion of the product <input type="checkbox"/>	None of the options given <input type="checkbox"/>	Is about the distribution of the product <input type="checkbox"/>
25	Which of the following statement is true for marketing system? <input type="checkbox"/>	It is all about the internal environmental factors <input type="checkbox"/>	It identifies the major interacting components, both internal and external <input type="checkbox"/>	It's about the financial needs of the venture <input type="checkbox"/>	None of the options given	It identifies the major interacting components, both internal and external <input type="checkbox"/>
26	In setting marketing goals and objectives the entrepreneur must <input type="checkbox"/>	Set the price <input type="checkbox"/>	Distribution place <input type="checkbox"/>	Must satisfy customers <input type="checkbox"/>	None of the above <input type="checkbox"/>	None of the above <input type="checkbox"/>

27	The financial plan provides a complete picture of: <input type="checkbox"/>	How much and when the funds are coming into the organization. <input type="checkbox"/>	Where the funds are going. <input type="checkbox"/>	How much cash is available? <input type="checkbox"/>	All of the options given <input type="checkbox"/>	All of the options given <input type="checkbox"/>
28	Before developing the pro forma income statement, the entrepreneur should <input type="checkbox"/>	Prepare operating budgets <input type="checkbox"/>	Capital budgets. <input type="checkbox"/>	None of the options given <input type="checkbox"/>	Both of the options given (a, <input type="checkbox"/>	Both of the options given (a, <input type="checkbox"/>
29	Which of the following statement is true? <input type="checkbox"/>	Cash flow is same as profit. <input type="checkbox"/>	Profit is the result of subtracting expenses from sales. <input type="checkbox"/>	Cash flow results from the difference between all cash available and cash payments. <input type="checkbox"/>	Cash flows only when actual payments are not made but only receive <input type="checkbox"/>	Profit is the result of subtracting expenses from sales. <input type="checkbox"/>
30	Which of the statement is not true? <input type="checkbox"/>	The S Corporation combines the tax advantages of the partnership and the corporation. <input type="checkbox"/>	S Corporations represent almost half of all corporate filings. <input type="checkbox"/>	A popular new entity is the limited liability company (LLC) <input type="checkbox"/>	Limited liability Company (LLC) offers similar disadvantages as the S Corporation <input type="checkbox"/>	Limited liability Company (LLC) offers similar disadvantages as the S Corporation <input type="checkbox"/>
31	Personal characteristics to be a successful entrepreneur includes <input type="checkbox"/>	Understanding environment <input type="checkbox"/>	Creating management options <input type="checkbox"/>	Encourage open discussion <input type="checkbox"/>	All of the above <input type="checkbox"/>	All of the above <input type="checkbox"/>
32	Without top management commitment, the organization will <input type="checkbox"/>	Be able to make changes <input type="checkbox"/>	Not be able to make any changes <input type="checkbox"/>	Not be able to make effective changes <input type="checkbox"/>	None of the above <input type="checkbox"/>	Not be able to make any changes <input type="checkbox"/>
33	locus of control is <input type="checkbox"/>	A feeling <input type="checkbox"/>	Attitude <input type="checkbox"/>	Attribute <input type="checkbox"/>	None of the above <input type="checkbox"/>	Attribute <input type="checkbox"/>
34	Entrepreneurial experience becomes increasingly important as <input type="checkbox"/>	Work load increases <input type="checkbox"/>	Complexity of venture increases <input type="checkbox"/>	Complexity of work increases <input type="checkbox"/>	None of the above <input type="checkbox"/>	Complexity of venture increases <input type="checkbox"/>
35	Entrepreneurs are concerned about basic issues of: <input type="checkbox"/>	Sales, costs and benefits <input type="checkbox"/>	Customers, sales and costs <input type="checkbox"/>	Risk, costs and benefits <input type="checkbox"/>	None of the above <input type="checkbox"/>	Sales, costs and benefits <input type="checkbox"/>
36	Licensing arrangements have <input type="checkbox"/>	Low risk process involved <input type="checkbox"/>	Easy way to generate incremental income <input type="checkbox"/>	Several pitfalls <input type="checkbox"/>	All of the above <input type="checkbox"/>	All of the above <input type="checkbox"/>
37	Joint ventures have been used by entrepreneur: <input type="checkbox"/>	When the entrepreneur wants to purchase local knowledge <input type="checkbox"/>	When rapid entry in to the market is needed <input type="checkbox"/>	Both of the options given <input type="checkbox"/>	None of the above <input type="checkbox"/>	Both of the options given <input type="checkbox"/>

38	A horizontal merger is <input type="checkbox"/>	Is the combination of firms in successive stages of production <input type="checkbox"/>	Is the combination of firms that produce closely related projects in same area <input type="checkbox"/>	Is the combination of firms that produce same products and sell in different areas <input type="checkbox"/>	None of the above <input type="checkbox"/>	Is the combination of firms that produce closely related projects in same area <input type="checkbox"/>
39	Main reason(s) for merger is (are) <input type="checkbox"/>	When synergy is present <input type="checkbox"/>	When complementary resources can be combined <input type="checkbox"/>	Economies of scale can be achieved <input type="checkbox"/>	All of the above <input type="checkbox"/>	All of the above <input type="checkbox"/>
40	First stage of production planning and development processes is <input type="checkbox"/>	Idea stage <input type="checkbox"/>	Concept stage <input type="checkbox"/>	Establishing and evaluating criteria stage <input type="checkbox"/>	None of the above <input type="checkbox"/>	Establishing and evaluating criteria stage <input type="checkbox"/>
41	The importance of intellectual property should be understood by entrepreneur even before _____.	Hiring a manager <input type="checkbox"/>	Engaging an attorney <input type="checkbox"/>	Developing a product <input type="checkbox"/>	Establishing new venture <input type="checkbox"/>	Engaging an attorney <input type="checkbox"/>
42	Which of the following is not followed in brainstorming? <input type="checkbox"/>	Criticism is done by the group members <input type="checkbox"/>	The wilder idea is better <input type="checkbox"/>	Quantity of ideas is required <input type="checkbox"/>	The session should be fun, with no one dominating the discussion <input type="checkbox"/>	Criticism is done by the group members <input type="checkbox"/>
43	The former USSR received technology and syrup from Pepsi and provided it with Soviet vodka and rights to distribute it in the US. This is an example of: <input type="checkbox"/>	Economic development <input type="checkbox"/>	Barter system <input type="checkbox"/>	Balance of payment <input type="checkbox"/>	International trade <input type="checkbox"/>	Barter system <input type="checkbox"/>
44	A patent is granted for a specified amount of time because of the assumption: <input type="checkbox"/>	During this time firm will cover its development costs <input type="checkbox"/>	Firm will earn a sufficient profit during this period <input type="checkbox"/>	To limit the monopoly of the firm <input type="checkbox"/>	It will stimulate idea and development of a better product <input type="checkbox"/>	It will stimulate idea and development of a better product <input type="checkbox"/>
45	Developing a new idea through inquiry and testing is called _____.	Heuristics <input type="checkbox"/>	Scientific method <input type="checkbox"/>	Forced relationship <input type="checkbox"/>	Value analysis <input type="checkbox"/>	Scientific method <input type="checkbox"/>
46	In an international perspective, which of the following decisions are not covered under strategic planning of an entrepreneur? <input type="checkbox"/>	What are unique characteristics of each market? <input type="checkbox"/>	Who should be involved in marketing decisions? <input type="checkbox"/>	What customer benefits are provided by the product <input type="checkbox"/>	What are the company's major strengths and weaknesses? <input type="checkbox"/>	What are unique characteristics of each market? <input type="checkbox"/>

47	Which of the following grants the owner protection from anyone else making, using and selling the identified innovation? <input type="checkbox"/>	Utility patent <input type="checkbox"/>	Design patent <input type="checkbox"/>	Plant patent <input type="checkbox"/>	International patent <input type="checkbox"/>	Utility patent <input type="checkbox"/>
48	The problem inventory analysis should be used primarily to: <input type="checkbox"/>	Reflect a new business opportunity <input type="checkbox"/>	Identify product idea for further evaluation <input type="checkbox"/>	Solve unknown problems <input type="checkbox"/>	Develop a list of problems <input type="checkbox"/>	Identify product idea for further evaluation <input type="checkbox"/>
49	Selling goods to another country through a person in the entrepreneur's home country is known as _____. <input type="checkbox"/>	Export <input type="checkbox"/>	Direct export	Indirect export <input type="checkbox"/>	Domestic sales <input type="checkbox"/>	Indirect export <input type="checkbox"/>
50	Which of the following statements is not true about trademarks? <input type="checkbox"/>	A trademark could be a slogan or a particular sound <input type="checkbox"/>	Some trademarks have no relationship with the product <input type="checkbox"/>	The filing date for the trademark becomes the first date use of the mark <input type="checkbox"/>	The entrepreneur can not file after the mark already been in use <input type="checkbox"/>	The entrepreneur can not file after the mark already been in use <input type="checkbox"/>
51	The product life cycle is included in which stage of product planning and development process? <input type="checkbox"/>	Test marketing stage <input type="checkbox"/>	Product development stage <input type="checkbox"/>	Commercialization stage <input type="checkbox"/>	Product planning and development process is a part of product life cycle <input type="checkbox"/>	Commercialization stage <input type="checkbox"/>
52	Which of the following can not be covered under the copyright protection? <input type="checkbox"/>	Computer software <input type="checkbox"/>	Computer hardware <input type="checkbox"/>	Poems and songs <input type="checkbox"/>	Models and sculpture <input type="checkbox"/>	Computer hardware <input type="checkbox"/>
53	Idea of new product is tested in potential consumers to determine consumer acceptance at _____ stage. <input type="checkbox"/>	Concept <input type="checkbox"/>	Product development <input type="checkbox"/>	Test marketing <input type="checkbox"/>	Commercialization <input type="checkbox"/>	Concept <input type="checkbox"/>
54	According to the governing bodies of common laws, the life of trade secret is: <input type="checkbox"/>	12 years <input type="checkbox"/>	17 years <input type="checkbox"/>	20 years <input type="checkbox"/>	As long as it remains confidential <input type="checkbox"/>	As long as it remains confidential <input type="checkbox"/>
55	Which of the following is used by entrepreneurs to acquire experience in an international market before making a major commitment? <input type="checkbox"/>	Merger <input type="checkbox"/>	Joint venture <input type="checkbox"/>	Minority interest <input type="checkbox"/>	Majority interest <input type="checkbox"/>	Minority interest <input type="checkbox"/>

56	The evaluation criteria for the new product should include all of the following except: <input type="checkbox"/>	Determination of market demand <input type="checkbox"/>	Determination of the suppliers <input type="checkbox"/>	Pricing and marketing policies of other competing firms <input type="checkbox"/>	Product should be profitable <input type="checkbox"/>	Determination of the suppliers <input type="checkbox"/>
57	Licensing is a significant marketing strategy to: <input type="checkbox"/>	Use intellectual property of others <input type="checkbox"/>	Pirate others' patents <input type="checkbox"/>	Grow the business in new markets <input type="checkbox"/>	Control the costs	Grow the business in new markets <input type="checkbox"/>
58	Automated stock replenishment, electronic selling and processing of customers orders and payments are examples of: <input type="checkbox"/>	E-business <input type="checkbox"/>	E-commerce <input type="checkbox"/>	E-trading <input type="checkbox"/>	E-transaction <input type="checkbox"/>	E-business <input type="checkbox"/>
59	The longest lasting trade agreement with the objective of liberalizing trade by eliminating or reducing tariffs, subsidies and quotas is _____. <input type="checkbox"/>	Free trade area – FTA <input type="checkbox"/>	European community – EC <input type="checkbox"/>	General agreement on tariffs and trade – GATT <input type="checkbox"/>	The north American free trade agreement – NAFTA <input type="checkbox"/>	General agreement on tariffs and trade – GATT <input type="checkbox"/>
60	The most important characteristic of a successful business website is <input type="checkbox"/>	Speed <input type="checkbox"/>	Innovation <input type="checkbox"/>	Graphics <input type="checkbox"/>	Products <input type="checkbox"/>	Speed <input type="checkbox"/>

UNIT-IV

SYLLABUS

Institutional finance to Entrepreneurs: IFCI, IDBI, ICICI, TIIC, SIDCS, LIC and GIC, UTI, SIPCOT-SIDBI commercial bank venture capital.

Industrial Finance Corporation of India: Functions, Management and Activities of the IFCI

Government of India set up the Industrial Finance Corporation of India (IFCI) in July 1948 under a special Act. This is the first financial institution set up in India with the main object of making medium and long term credit to industrial needs.

The Industrial Development Bank of India, Scheduled banks, insurance companies, investment trusts and co-operative banks are the shareholders of IFCI. The Union Government has guaranteed the repayment of capital and the payment of a minimum annual dividend.

The corporation is authorized to issue bonds and debentures in the open market, to borrow foreign currency from the World Bank and other organizations, accept deposits from the public and also borrow from the Reserve Bank.

The authorized share capital of the IFCI was Rs. 10 crore at the initial stage, According to the Industrial Finance Corporation (Amendment) Act, 1986, the authorized capital of the corporation has been raised from Rs. 100 crore to Rs. 250 crore (the authorized capital may be fixed by the government of India by notification from time to time).

Functions:

The functions of the IFCI base as follows:

- (i) The corporation grants loans and advances to industrial concerns.
- (ii) Granting of loans both in rupees and foreign currencies.

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(iii) The corporation underwrites the issue of stocks, bonds, shares etc.

(iv) The corporation can grant loans only to public limited companies and co-operatives but not to private limited companies or partnership firms.

Organization and Management:

The Head Office of the IFCI is in New Delhi. It has also established its Regional offices in Bombay, Chennai, Kolkata, Chandigarh, Hyderabad, Kanpur and Guwahati. The branch office of IFCI is located in Bhopal, Pune, Jaipur, Cochin, Bhubaneswar, Patna, Ahmedabad and Bangalore.

The IFCI is managed by a Board of Directors, headed by a Chairman, who is appointed by the Government of India, in consultation with RBI. The chairman holds his position for a period of 3 years, subject to extension.

Of the 12 directors, 4 are nominated by the IDBI, three of whom are experts in the fields of industry, labour and economics and the fourth is the General Manager of the IDBI. The remaining 8 directors are nominated.

Two directors are nominated for a term of 4 years by each of the following-scheduled banks, co-operative banks, insurance companies and investment companies making up eight directors.

Activities of the IFCI:

The promotional activities of IFCI are explained below:

1. Soft Loan Assistance:

This scheme provides soft loan assistance to existing industries in small and medium sector for developing technology through in-house research and development.

2. Entrepreneur Development:

IFCI provides financial support to EDPs (Entrepreneur Development Programmes) conducted by several agencies all-over India. In co-operation with Entrepreneurship Development Institute of India.

3. Industrial Development in Backward Areas:

IFCI also take measures to promote industrial development in backward areas through a scheme of concessional finance.

4. Subsidized Consultancy:

The IFCI gives subsidized consultancy for,

(i) Small Entrepreneurs for Meeting the Cost of Project.

(ii) Promoting Ancillary Industries

(iii) To do the Market Research.

(iv) Reviving Sick Units.

(v) Implementing Modernisation.

(vi) Controlling Pollution in Factories.

5. Management Development:

To improve the professional management the IFCI sponsored the Management Development Institute in 1973. It established the Development Banking Centre to develop managerial, manpower in industrial concern, commercial and development banks.

Working of the IFCI:

The working of the IFCI came in for a large measure of criticism. In the first place, the rate of interest which the corporation charged was extremely high. Secondly, there was a great delay in sanctioning loans and in making the amount of the loans available.

Thirdly, the 'corporation's insistence on the personal guarantee of managing directors in addition to the mortgage of property was considered wrong. In the last two decades the corporation had entered into new lines of activity, viz, underwriting debentures and shares and guaranteeing of deferred payment in respect of imports from abroad of plant and equipment by industrial concerns and subscribing to stocks and shares of industrial concerns directly. Besides, the performance of IFCI together with the work of other public sector financial institutions has been extremely credit worthy in the last two decades.

India's State Finance Corporations: Management, Functions and Working of SFCs

The State Finance Corporations (SFCs) are the integral part of institutional finance structure in the country. SEC promotes small and medium industries of the states. Besides, SFCs are helpful in ensuring balanced regional development, higher investment, more employment generation and broad ownership of industries.

At present there are 18 state finance corporations (out of which 17 SFCs were established under SFC Act 1951). Tamil Nadu Industrial Investment Corporation Ltd. established under Company Act, 1949, is also working as state finance corporation.

Organization and Management:

The State Finance Corporations management is vested in a Board of ten directors. The State Government appoints the managing director generally in consultation with the Reserve Bank and nominates three other directors.

The insurance companies, scheduled banks, investment trusts, co-operative banks and other financial institutions elect three directors. Thus the majority of the directors are nominated by the government and quasi-government institutions.

Functions:

The important functions of State Finance Corporations are:

- (i) The SFCs grant loans mainly for acquisition of fixed assets like land, building, plant and machinery.
- (ii) The SFCs provide financial assistance to industrial units whose paid-up capital and reserves do not exceed Rs. 3 crore (or such higher limit up to Rs. 30 crore as may be specified by the central government).
- (iii) The SFCs underwrite new stocks, shares, debentures etc., of industrial concerns.
- (iv) The SFCs provide guarantee loans raised in the capital market by scheduled banks, industrial concerns, and state co-operative banks to be repayable within 20 years.

Working of SFCs:

The government of India passed the State Financial Corporation Act in 1951 and made it applicable to all the States. The authorized Capital of a State Financial Corporation is fixed by the State government within the minimum and maximum limits of Rs. 50 lakh and Rs. 5 crore and is divided into shares of equal value which were taken by the respective State Governments, the Reserve Bank of India, scheduled banks, co-operative banks, other financial institutions such as insurance companies, investment trusts and private parties.

The shares are guaranteed by the State Government. The SFCs can augment its fund through issue and sale of bonds and debentures, which should not exceed five times the capital and reserves at Rs. 10 Lakh.

Industrial Development Bank of India (IDBI): Functions and Developmental Activities of IDBI

Industrial Development Bank of India (IDBI) established under Industrial Development Bank of India Act, 1964, is the principal financial institution for providing credit and other facilities for developing industries and assisting development institutions.

Till 1976, IDBI was a subsidiary bank of RBI. In 1976 it was separated from RBI and the ownership was transferred to Government of India. IDBI is the tenth largest bank in the world in terms of development. The National Stock Exchange (NSE), the National Securities Depository Services Ltd. (NSDL), Stock Holding Corporation of India (SHCIL) are some of the Institutions which has been built by IDBI.

Organization and Management:

IDBI consist of a Board of Directors, consisting of a chairman and Managing Director appointed by the Government of India, a Deputy Governor of the RBI nominated by that bank and 20 other Directors are nominated by the Central Government.

The board had constituted an Executive Committee consisting of 10 Directors, including the Chairman and Managing Director. The executive committee is empowered to sanction financial assistance.

The Head office of IDBI is located in Mumbai. The bank has five regional offices, one each in Kolkata, Guwahati, New Delhi, Chennai and Mumbai. Besides the bank have 21 branch offices.

Functions of IDBI:

The main functions of IDBI are discussed below:

- (i) To provide financial assistance to industrial enterprises.
- (ii) To promote institutions engaged in industrial development.
- (iii) To provide technical and administrative assistance for promotion management or expansion of industry.

(iv) To undertake market and investment research and surveys in connection with development of industry.

IDBI Assistance:

The IDBI provides financial assistance either directly or through some specified financial institutions:

(i) Direct Assistance:

The IDBI grants loans and advances to industrial concerns. There is no restriction on the upper or lower limits for assistance to any concern itself. The bank guarantees loans raised by industrial concerns in the open market from the State Co-operative Banks, the Scheduled Banks, the Industrial Finance Corporation of India (IFCI) and other 'notified' financial institutions.

(ii) Indirect Assistance:

The IDBI can refinance term loans to industrial concerns repayable within 3 to 25 years given by the IFCI, the State Financial Corporation and some other financial institutions and to SIDCs (State Industrial Development Corporations), Commercial banks and Cooperative banks which extend term loans not exceeding 10 years to industrial concerns. IDBI subscribes to the shares and bonds of the financial institutions and thereby provide supplementary resources.

Developmental Activities of IDBI:

(1) Promotional Activities:

In fulfillment of its developmental role, the bank continues to perform a wide range of promotional activities relating to developmental programmes for new entrepreneurs, consultancy services for small and medium enterprises and programmes designed for accredited voluntary agencies for the economic upliftment of the underprivileged.

These include entrepreneurship development, self-employment and wage employment in the industrial sector for the weaker sections of society through voluntary agencies, support to

Science and Technology Entrepreneurs' Parks, Energy Conservation, Common Quality Testing Centers for small industries.

(2) Technical Consultancy Organizations:

With a view to making available at a reasonable cost, consultancy and advisory services to entrepreneurs, particularly to new and small entrepreneurs, IDBI, in collaboration with other All-India Financial Institutions, has set up a network of Technical Consultancy Organizations (TCOs) covering the entire country. TCOs offer diversified services to small and medium enterprises in the selection, formulation and appraisal of projects, their implementation and review.

(3) Entrepreneurship Development Institute:

Realizing that entrepreneurship development is the key to industrial development; IDBI played a prime role in setting up of the Entrepreneurship Development Institute of India for fostering entrepreneurship in the country. It has also established similar institutes in Bihar, Orissa, Madhya Pradesh and Uttar Pradesh. IDBI also extends financial support to various organisations in conducting studies or surveys of relevance to industrial development.

Industrial Credit and Investment Corporation of India (ICICI)

Industrial Credit and Investment Corporation of India was registered as a private limited company in 1955. It was set up as a private sector development bank to assist and promote private industrial concerns in the country.

Broad objectives of the ICICI are:

- (a) to assist in the creation, expansion and modernization of private concerns;
- (b) to encourage the participation of internal and external capital in the private concerns;
- (c) to encourage private ownership of industrial investment.

Functions of the ICICI

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- (i) It provides long-term and medium-term loans in rupees and foreign currencies.
- (ii) It participates L* the equity capital of the industrial concerns.
- (iii) It underwrites new issues of shares and debentures.
- (iv) It guarantees loans raised by private concerns from other sources.
- (v) It provides technical, managerial and administrative assistance to industrial concerns.

Capital Initially:

The Corporation started with the authorized capital of Rs. 25 crore. At the end of June 1986, the authorized capital was Rs. 100 crore and the paid-up capital was 49.5 crore. Various sources of financial resources of the Corporation are Indian banks, insurance companies and foreign institutions, including the world Bank, and the public. The government and the IDBI have also provided loans to the Corporation.

Financial Assistance:

The performance of the ICICI in the field of financial assistance provided to the industrial concerns has been quite satisfactory. Over the years, the assistance sanctioned by the Corporation has grown from Rs.14.8 crore in 1961-62 to Rs. 43.0 crore in 1970-71 and Rs. 36229 crore in 2001-02. Similarly the amount disbursed has increased from Rs.8.6 crore in 1961-62 to Rs.29.8 crore in 1970-71 and to Rs. 25831 in 2001-02. Cumulatively, at the end of March 1996, the ICICI has sanctioned and disbursed financial assistance aggregating Rs. 66169 crore and Rs. 36591 crore respectively.

Features of ICICI

The important features of the functioning of the ICICI are as given below:

- (i) The financial assistance as provided by the ICICI includes rupee loans, foreign currency loans, guarantees, underwriting of shares and debentures, and direct subscription to shares and debentures.

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(ii) Originally, the ICICI was established to provide financial assistance to industrial concerns in the private sector. But, recently, its scope has been widened by including industrial concerns in the public, joint and cooperative sectors.

(iii) ICICI has been providing special attention to financing riskier and non-traditional industries, such as chemicals, petrochemicals, heavy engineering and metal products. These four categories of industries have accounted for more than half of the total assistance.

(iv) Of late, the ICICI has also been providing assistance to the small scale industries and the projects in backward areas.

(v) Along with other financial institutions, the ICICI has actively participated in conducting surveys to examine industrial potential in various states.

(vi) In 1977, the ICICI promoted the Housing Development Finance Corporation Ltd. to grant term loans for the construction and purchase of residential houses.

(vii) Since 1983, the ICICI has been providing leasing assistance for computerization, modernization and replacement schemes; for energy conserve; for export orientation; for pollution controller balancing and expansion: etc.

(viii) The ICICI has not contributed much to reduce regional disparities. About three-fifth of the total assistance given by the ICICI has been received by the advanced states of Maharashtra, Gujarat and Tamil Nadu.

(ix) With effect from April 1, 1996, Shipping Credit and Investment company of India Ltd, (SCICI) was merged with ICICI.

(x) The ICICI Ltd. was merged with ICICI Bank Ltd. effective from May 3, 2002.

1. a financial aid supplied by a government, as to industry, for reasons of public welfare, the balance of payments, etc

2. a financial grant made originally for special purposes by Parliament to the Crown

3. any monetary contribution, grant, or aid

Tamilnadu Industrial Investment Corporation Ltd

Tamilnadu Industrial Investment Corporation Ltd. [TIIC] is a premier State Financial Corporation established in the year 1949. TIIC fosters industrial development in Tamilnadu by providing financial assistance to industries for purchase of land, machinery and construction of buildings. TIIC provides financial assistance at competitive interest rates for setting up of new industrial units and for expansion / modernisation / diversification of existing industries in Tamilnadu. It also offers loan for service sector projects such as hotels, hospitals and tourism related projects.

While TIIC provides assistance to micro, small, medium and large enterprises, about 90% of the assistance goes to the micro, small and medium enterprises [MSME] sector. Of this, about 40% goes to first generation entrepreneurs. Thus, TIIC acts as a catalyst for industrial promotion within the State by creating a new generation of entrepreneurs.

Functions:

TIIC as a State Level Financial Institution, offers long and medium term financial assistance to various industries including service sector in the following forms:

Term Loans

Term Loan and Working Capital Term Loans under the Single Window Scheme.

Special types of assistance like Bill Financing Scheme, etc.

Need for Small Industries Development Corporation (SIDCO) - SIDCS

In many state governments, for the promotion of small scale industries, a separate corporation has been set up which is known as Small Industries Development Corporation. They undertake all kinds of activities for the promotion of small scale industries. Right from the stage of

installation, to the stage of commencing production, these Corporations help small scale industries (SSI) in many ways.

In short, they provide infrastructure facilities to small scale industries. Due to the assistance provided by SIDCO, many backward areas in most of the states have been developed. So, SIDCO has also been responsible in spreading the industrial activity throughout several states.

Objectives of SIDCO:

The following are the main objectives of SIDCO

The main objective of SIDCO is to stimulate the growth of industries in the small scale sector

To provide infrastructure facilities like roads, drainage, electricity, water supply, etc is one of the primary objective of SIDCO.

To Promote industrial estates which will provide industrial sheds of different sizes with all basic infrastructure facilities.

To Provide technical assistance through training facilities to the entrepreneurs.

To Promote skilled labor through the setting up of industrial training institutes.

Small Industries Development Corporation, Tamilnadu:

In Tamilnadu, India, Small Industries Development Corporation (SIDCO) was set up in 1971. The prime function of SIDCO was to identify potential growth centers in various parts of Tamilnadu. There is a network of 76 industrial estates in the State which are maintained by SIDCO. 32 of these were formed by the government initially and subsequently handed over to SIDCO. The remaining 44 estates were set up by SIDCO itself. Source (SIDCO – TAMILNADU SMALL INDUSTRIES DEVELOPMENT CORPORATION LIMITED) It has set up these estates in rural and most backward areas to ensure balanced industrial development.

Functions of SIDCO

SIDCO supplies scarce raw materials:

Some of the scarce raw materials are procured by the corporation either from the domestic market or from abroad and are provided to the needy small scale industries. For this purpose,

SIDCO has a number of raw material depots and these depots are procuring various scarce raw materials, as per the requirements of small scale industries in the state.

Life Insurance Corporation of India (LIC)

Life Insurance Corporation of India (LIC) is an Indian state-owned insurance group and investment company headquartered in Mumbai. It is the largest insurance company in India with an estimated asset value of ₹2,529,390 crore (US\$380 billion)(2016). As of 2013 it had total life fund of Rs.1433103.14 crore and total number of policies sold coming in at 367.82 lakh that year (2012-13).

The Life Insurance Corporation of India was founded in 1956 when the Parliament of India passed the Life Insurance of India Act that nationalised the private insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state owned Life Insurance Corporation.

Objectives Of LIC

» Spread Life Insurance widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.

» Maximize mobilization of people's savings by making insurance-linked savings adequately attractive.

» Bear in mind, in the investment of funds, the primary obligation to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the

funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return.

- » Conduct business with utmost economy and with the full realization that the moneys belong to the policyholders.
- » Act as trustees of the insured public in their individual and collective capacities.
- » Meet the various life insurance needs of the community that would arise in the changing social and economic environment.
- » Involve all people working in the Corporation to the best of their capability in furthering the interests of the insured public by providing efficient service with courtesy.
- » Promote amongst all agents and employees of the Corporation a sense of participation, pride and job satisfaction through discharge of their duties with dedication towards achievement of Corporate Objective.

Functions of Life Insurance Corporation of India (LIC)

Life insurance business in India was being transacted by private companies until 1956. As a result of the long felt need and in the interest of insuring public, the life insurance business was nationalized in 1956. The nationalization resulted in the establishment of Life Insurance Corporation of India (LIC) by an act of the Parliament. The Corporation was formed and began to function on September 1, 1956 by taking over 170 companies and 75 provident societies. The entire initial capital of Rs.5 crore was contributed by the government of India. The objective of nationalization was described by the then finance minister, C. D. Deshmukh as “to see that the gospel of insurance is spread as far and wide as possible so that we reach beyond the more advanced urban areas well into the hitherto neglected rural areas.” The Corporation is a body corporate having perpetual succession with a common seal with powers to acquire, hold and dispose of property and may by its name sue and be sued.

The functions of the Life Insurance Corporation of India shall be to carry on and develop life insurance business to the best advantage of the community.

The Corporation shall have power; to carry on capital redemption business, annuity certain business or reinsurance business in so far as such reinsurance business relating to life insurance business;

to invest the funds of the Corporation in such manner as the Corporation may think fit and to take all such steps as may be necessary or expedient for the protection or realization of any investment; including the taking over of and administering any property offered as security for the investment until a suitable opportunity arises for its disposal; to acquire, hold and dispose of any property for the purpose of its business; to transfer the whole or any part of the life insurance business carried on outside India to any other person or persons, if in the interest of the Corporation it is expedient so to do; to advance or lend money upon the security of any movable or immovable property or otherwise; to borrow or raise any money in such manner and upon such security as the Corporation may think fit; to carry on either by itself or through any subsidiary any other business in any case where such other business was being carried on by a subsidiary of an insurer whose controlled business has been transferred to and vested in the Corporation by this act; to carry on any other business which may seem to the Corporation to be capable of being conveniently carried on in connection with its business and calculated directly or indirectly to render profitable the business of the Corporation; and to do all such things as may be incidental or conducive to the proper exercise of any of the powers of the Corporation. the discharge of any of its functions the Corporation shall act so far as may be on business principles.

General Insurance Corporation of India(GIC)

The General Insurance Corporation (GIC) was formed by Central Government in 1972. With effect from January 1, 1973 the erstwhile 107 Indian and foreign insurance companies who were operating in the country prior to nationalisation, were grouped into four operating companies, namely,

(a) National Insurance Company Limited.

(b) New India Assurance Company Limited.

(c) Oriental Insurance Company Limited.

(d) United Insurance Company Limited.

With head offices at Kolkata, Mumbai, New Delhi and Chennai, respectively GIC which was the holding company of the four public sector general insurance companies has since been delinked from the later and has been approved as the 'Indian Reinsurer' since 3 November 2000. All the four entities are Government companies registered under Companies Act.

The General Insurance business has grown in spread and volume after nationalisation. The four companies have 2, 699 branch offices, 1,360 divisional offices and 92 regional offices spread all-over the country.

Objectives of GIC:

Some of the schemes in operation of the benefit of poor are the personal account insurance, social security scheme, hut insurance scheme for poor families in rural areas and crop insurance scheme.

Besides the domestic market, the GIC is presently operating in 16 countries directly through branches or agencies and in 14 countries through subsidiary and associate companies. The wholly owned subsidiary of GIC known as Indian International Insurance Private Limited, set up in 1988 in Singapore, has grown into a leading company in the Singapore market.

Functions of GIC:

The gross premium income of the nationalised general insurance industry in India during 1999-2000 was Rs. 9,523 crore as against Rs. 8,759 crore during 1998-99, representing a growth of 8.72 percent over the premium income of 1998-99.

The net premium income of the nationalised general insurance industry in India during the year 1999-2000 was Rs. 8,649 crore as against Rs. 7,732 crore in 1998-99, representing a growth of 11.86 percent over the net premium income of 1998-99.

The gross profit of the industry during 1999-2000 was Rs. 1,152 crore as against Rs. 1,467 crore in 1998-99. Similarly, the net profit of the industry during the year 1999-2000 was Rs. 1,077 crore as against Rs. 874 crore in 1998-99.

According to the latest report the net profit of the Industry during 2001-02 amounted to Rs. 12,229 crore, as against Rs. 10,772 crore during 2000-01 representing a growth of 13.52 percent over the premium income of last year.

Unit Trust of India(UTI): Objectives, Functions and Schemes!

Unit Trust of India (UTI) is a statutory public sector investment institution which was set up in February 1964 under the Unit Trust of India Act, 1963.

UTI began operations in July 1964. It provides opportunity for small-savers to invest in areas where their risk is diversified.

The Unit-holders, if necessary, can sell their units to UTI at the prices determined by UTI. One of the attractions is that the investment in UTI has an income-tax rebate and the income from the UTI is exempted; from income-tax subject to certain limits.

Objectives:

The primary objectives of the UTI are:

- (i) To encourage and pool the savings of the middle and low income groups.
- (ii) To enable them to share the benefits and prosperity of the industrial development in the country.

Organization and Management:

UTI was established with an initial capital of Rs. 5 crore, contributed by the RBI, LIC, SBI and its subsidiaries and scheduled banks and financial institutions. The initial capital of Rs. 5 crore was divided into 1,000 certificates of Rs. 50,000 each. To supplement its financial resources, the trust can borrow from the Reserve Bank of India, the amount being repayable on demand' or within a period of 18 months.

UTI is managed by a Board of Trustees, consisting of a chairman and four members nominated by Reserve Bank of India, one member nominated by LIC, one member nominated by the State Bank of India, and two members elected by the contributing institutions.

Functions of UTI:

The UTI functions are discussed below:

- (i) To accept discount, purchase or sell bills of exchange, promissory note, bill of lading, warehouse receipt, documents of title to goods etc.,
- (ii) To grant loans and advances.
- (iii) To provide merchant banking and investment advisory service.
- (iv) To provide leasing and hire purchase business.
- (v) To extend portfolio management service to persons residing outside India.
- (vi) To buy or sell or deal in foreign exchange dealings.
- (vii) To formulate unit scheme or insurance plan in association with or as agent of GIC.
- (viii) To invest in any security floated by the Central Government, RBI or foreign bank.

Activities of UTI:

The UTI can sell and purchase the units issued by it, investing, acquire, hold or dispose off securities. Keep money on deposit with the scheduled banks and undertake related functions

incidental or consequential to that. All the units issued by the UTI are of the value of Rs. 10 each. These units were put on sale at face value and thereafter at prices fixed daily by the UTI. Units can be purchased in ten or multiples of ten.

Schemes of UTI:

The familiar schemes of UTI are given below:

- (i) Unit scheme—1964.
- (ii) Unit Linked Insurance Plan—1971.
- (iii) Children Gift Growth Fund Unit Scheme—1986.
- (iv) Rajyalakhmi Unit Scheme—1992.
- (v) Senior Citizen's Unit Plan—1993.
- (vi) Monthly Income Unit Scheme.
- (vii) Master Equity Plan—1995.
- (viii) Money Market Mutual Fund—1997.
- (ix) UTI Growth Sector Fund—1999.
- (x) Growth and Income Unit Schemes.

Advantages of Unit Trust:

The advantages of Unit Trust are:

- (i) The investment is safe and the risk is spread over a wide range of securities.
- (ii) The Unit-holders will be getting regular and good income, as 90 percent of its income will be distributed.
- (iii) Dividends up to Rs. 1,000 received by the individual are exempt from income-tax.

KARPAGAM ACADEMY OF HIGHER EDUCATION

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UNIT:IV(Institutional finance to Entrepreneurs) BATCH 2017-2020

(iv) There is a high degree of liquidity of investment as the units can be sold back to the trust at any time at prices fixed by trust.

The State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)

The State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) was formed in the year 1971, to promote industrial growth in the State and to advance term loans to medium and large industries

The Functions of State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) are:

Development of industrial complexes/parks/industrial estate in Nallamballi Road growth centres with basic infrastructure facilities

Establishing sector-specific Special Economic Zones (SEZs);

Implementation of Special infrastructure Projects

Small Industries Development Bank of India (SIDBI)

Small Industries Development Bank of India (SIDBI) was established as wholly owned subsidiary of Industrial Development Bank of India (IDBI) under the small Industries Development of India Act 1989. It is the principal institution for promotion, financing and development of industries in the small-scale sector. It also coordinates the functions of institutions engaged in similar activities. For this purpose, SIDBI has taken over the responsibility of administering Small Industries Development Fund and National Equity Fund from IDBI.

Objectives of SIDBI

In the setting up of SIDBI, the main purpose of the government was to ensure larger flow of assistance to the small-scale units. To meet this objective, the immediate thrust of the SIDBI was on the following measures:

(i) initiating steps for technological upgradation and modernisation of existing units;

(ii) expanding the channels for marketing the products of the small scale sector; and

(iii) promotion of employment-oriented industries, especially in semi- urban areas to create more employment opportunities and thereby checking migration of population to urban areas.

Functions of SIDBI

SIDBI provides assistance to the small-scale industries sector in the country through the existing banking and other financial institutions, such as, State Financial Corporations, State Industrial Development Corporations, commercial banks, cooperative banks and RRBs. etc. The major functions of SIDBI are given below:

- (i) It refinances loans and advances provided by the existing lending institutions to the small-scale units.
- (ii) It discounts and rediscounts bills arising from sale of machinery to and manufactured by small-scale industrial units.
- (iii) It extends seed capital/soft loan assistance under National Equity Fund, MahilaUdyamNidhi and MahilaVikasNidhi and seed capital schemes.
- (iv) It grants direct assistance and refinance loans extended by primary lending institutions for financing exports of products manufactured by small-scale units.
- (v) It provides services like factoring, leasing, etc. to small units.
- (vi) It extends financial support to State Small Industries Corporations for providing scarce raw materials to and marketing the products of the small-scale units.
- (vii) It provides financial support to National Small Industries Corporation for providing; leasing, hire purchase and marketing help to the small-scale units.

Commercial Bank: Definition

Meaning :

A commercial bank is a financial institution which performs the functions of accepting deposits from the general public and giving loans for investment with the aim of earning profit.

In fact, commercial banks, as their name suggests, are profit-seeking institutions, i.e., they do banking business to earn profit.

They generally finance trade and commerce with short-term loans. They charge high rate of interest from the borrowers but pay much less rate of interest to their depositors with the result that the difference between the two rates of interest becomes the main source of profit of the banks. Most of the Indian joint stock Banks are Commercial Banks such as Punjab National Bank, Allahabad Bank, Canara Bank, Andhra Bank, Bank of Baroda, etc.

Functions of Commercial Banks

The two most distinctive features of a commercial bank are borrowing and lending, i.e., acceptance of deposits and lending of money to projects to earn interest (profit). In short, banks borrow to lend. The rate of interest offered by the banks to depositors is called the borrowing rate while the rate at which banks lend out is called lending rate.

The difference between the rates is called 'spread' which is appropriated by the banks. Mind, all financial institutions are not commercial banks because only those which perform dual functions of (i) accepting deposits and (ii) giving loans are termed as commercial banks. For example post offices are not bank because they do not give loans. Functions of commercial banks are classified into two main categories—(A) Primary functions and (B) Secondary functions.

(A) Primary Functions:

1. It accepts deposits:

A commercial bank accepts deposits in the form of current, savings and fixed deposits. It collects the surplus balances of the Individuals, firms and finances the temporary needs of commercial transactions. The first task is, therefore, the collection of the savings of the public. The bank does this by accepting deposits from its customers. Deposits are the lifeline of banks.

Deposits are of three types as under:

(i) Current account deposits:

Such deposits are payable on demand and are, therefore, called demand deposits. These can be withdrawn by the depositors any number of times depending upon the balance in the account. The bank does not pay any Interest on these deposits but provides cheque facilities. These accounts are generally maintained by businessmen and Industrialists who receive and make business payments of large amounts through cheques.

(ii) Fixed deposits (Time deposits):

Fixed deposits have a fixed period of maturity and are referred to as time deposits. These are deposits for a fixed term, i.e., period of time ranging from a few days to a few years. These are neither payable on demand nor they enjoy cheque facilities.

They can be withdrawn only after the maturity of the specified fixed period. They carry higher rate of interest. They are not treated as a part of money supply. Recurring deposit in which a regular deposit of an agreed sum is made is also a variant of fixed deposits.

(iii) Savings account deposits:

These are deposits whose main objective is to save. Savings account is most suitable for individual households. They combine the features of both current account and fixed deposits. They are payable on demand and also withdraw able by cheque. But bank gives this facility with some restrictions, e.g., a bank may allow four or five cheques in a month. Interest paid on savings account deposits is lesser than that of fixed deposit.

Difference between demand deposits and time (term) deposits:

Two traditional forms of deposits are demand deposit and term (or time) deposit:

(i) Deposits which can be withdrawn on demand by depositors are called demand deposits, e.g., current account deposits are called demand deposits because they are payable on demand but saving account deposits do not qualify because of certain conditions on withdrawal. No interest is paid on them. Term deposits, also called time deposits, are deposits which are payable only after the expiry of the specified period.

(ii) Demand deposits do not carry interest whereas time deposits carry a fixed rate of interest.

(iii) Demand deposits are highly liquid whereas time deposits are less liquid,

(iv) Demand deposits are chequable deposits whereas time deposits are not.

2. It gives loans and advances:

The second major function of a commercial bank is to give loans and advances particularly to businessmen and entrepreneurs and thereby earn interest. This is, in fact, the main source of income of the bank. A bank keeps a certain portion of the deposits with itself as reserve and gives (lends) the balance to the borrowers as loans and advances in the form of cash credit, demand loans, short-run loans, overdraft as explained under.

(i) Cash Credit:

An eligible borrower is first sanctioned a credit limit and within that limit he is allowed to withdraw a certain amount on a given security. The withdrawing power depends upon the borrower's current assets, the stock statement of which is submitted by him to the bank as the basis of security. Interest is charged by the bank on the drawn or utilised portion of credit (loan).

(ii) Demand Loans:

A loan which can be recalled on demand is called demand loan. There is no stated maturity. The entire loan amount is paid in lump sum by crediting it to the loan account of the borrower. Those

like security brokers whose credit needs fluctuate generally, take such loans on personal security and financial assets.

(iii) Short-term Loans:

Short-term loans are given against some security as personal loans to finance working capital or as priority sector advances. The entire amount is repaid either in one instalment or in a number of instalments over the period of loan.

Investment:

Commercial banks invest their surplus fund in 3 types of securities:

(i) Government securities, (ii) Other approved securities and (iii) Other securities. Banks earn interest on these securities.

(B) Secondary Functions:

Apart from the above-mentioned two primary (major) functions, commercial banks perform the following secondary functions also.

3. Discounting bills of exchange or bundles:

A bill of exchange represents a promise to pay a fixed amount of money at a specific point of time in future. It can also be encashed earlier through discounting process of a commercial bank. Alternatively, a bill of exchange is a document acknowledging an amount of money owed in consideration of goods received. It is a paper asset signed by the debtor and the creditor for a fixed amount payable on a fixed date. It works like this.

Suppose, A buys goods from B, he may not pay B immediately but instead give B a bill of exchange stating the amount of money owed and the time when A will settle the debt. Suppose, B wants the money immediately, he will present the bill of exchange (Hundi) to the bank for discounting. The bank will deduct the commission and pay to B the present value of the bill. When the bill matures after specified period, the bank will get payment from A.

4. Overdraft facility:

An overdraft is an advance given by allowing a customer keeping current account to overdraw his current account up to an agreed limit. It is a facility to a depositor for overdrawing the amount than the balance amount in his account.

In other words, depositors of current account make arrangement with the banks that in case a cheque has been drawn by them which are not covered by the deposit, then the bank should grant overdraft and honour the cheque. The security for overdraft is generally financial assets like shares, debentures, life insurance policies of the account holder, etc.

Difference between Overdraft facility and Loan:

- (i) Overdraft is made without security in current account but loans are given against security.
- (ii) In the case of loan, the borrower has to pay interest on full amount sanctioned but in the case of overdraft, the borrower is given the facility of borrowing only as much as he requires.
- (iii) Whereas the borrower of loan pays Interest on amount outstanding against him but customer of overdraft pays interest on the daily balance.

5. Agency functions of the bank:

The bank acts as an agent of its customers and gets commission for performing agency functions as under:

(i) Transfer of funds:

It provides facility for cheap and easy remittance of funds from place-to-place through demand drafts, mail transfers, telegraphic transfers, etc.

(ii) Collection of funds:

It collects funds through cheques, bills, bundles and demand drafts on behalf of its customers.

(iii) Payments of various items:

It makes payment of taxes. Insurance premium, bills, etc. as per the directions of its customers.

(iv) Purchase and sale of shares and securities:

It buys sells and keeps in safe custody securities and shares on behalf of its customers.

(v) Collection of dividends, interest on shares and debentures is made on behalf of its customers.

(iv) Acts as Trustee and Executor of property of its customers on advice of its customers.

(vii) Letters of References:

It gives information about economic position of its customers to traders and provides similar information about other traders to its customers.

6. Performing general utility services:

The banks provide many general utility services, some of which are as under:

(i) Traveller's cheques .The banks issue traveler's cheques and gift cheques.

(ii) Locker facility. The customers can keep their ornaments and important documents in lockers for safe custody.

(iii) Underwriting securities issued by government, public or private bodies.

(iv) Purchase and sale of foreign exchange (currency).

Credit (Money) Creation by Commercial Banks :

RBI produces money while commercial banks increase the supply of money by creating credit which is also treated as money creation. Commercial banks create credit in the form of secondary deposits.

Mind, total deposits of a bank is of two types:

(i) Primary deposits (initial cash deposits by the public) and (ii) Secondary deposits (deposits that arise due to loans given by the banks which are assumed to be redeposited in the bank.) Money creation by commercial banks is determined by two factors namely (i) Primary deposits i.e. initial cash deposits and (ii) Legal Reserve Ratio (LRR), i.e., minimum ratio of deposits which is legally compulsory for the commercial banks to keep as cash in liquid form. Broadly when a bank receives cash deposits from the public, it keeps a fraction of deposits as cash reserve (LRR) and uses the remaining amount for giving loans. In the process of lending money, banks are able to create credit through secondary deposits many times more than initial deposits (primary

Types of Commercial Banks:

Scheduled Banks and Non-scheduled Banks:

Commercial banks are classified in two broad categories—scheduled banks and non-scheduled banks.

Scheduled banks are those banks which are included in Second Schedule of Reserve Bank of India. A scheduled bank must have a paid-up capital and reserves of at least Rs 5 lakh. RBI provides special facilities including credit to scheduled banks. Some of important scheduled banks are State Bank of India and its subsidiary banks, nationalised banks, foreign banks, etc.

Non-scheduled Banks:

The banks which are not included in Second Schedule of RBI are known as non-scheduled banks. A non-scheduled bank has a paid-up capital and reserves of less than Rs 5 lakh. Clearly, such banks are small banks and their field of operation is also limited.

A passing reference to some other types of commercial banks will be informative.

Industrial Banks provide finance to industrial concerns by subscribing (buying) shares and debentures of companies and also give long-term loans to acquire machinery, plants, etc. Foreign Exchange Banks are commercial banks which are branches of foreign banks and facilitate international financial transactions through buying and selling of foreign bills.

Agricultural Banks finance agriculture and provide long-term loans for buying tractors and installing tube-wells. Saving Banks mobilise small savings of the people in savings account, e.g., Post office saving bank. Cooperative Banks are organised by the people for their own collective benefits. They advance loans to their members at fair rate of interest.

Significance of Commercial Banks:

Commercial banks play such an important role in the economic development of a country that modern industrial economy cannot exist without them. They constitute nerve centre of production, trade and industry of a country. In the words of Wick-sell, “Bank is the heart and central point of modern exchange economy.”

The following points highlight the significance of commercial banks:

- (i) They promote savings and accelerate the rate of capital formation.
- (ii) They are source of finance and credit for trade and industry.
- (iii) They promote balanced regional development by opening branches in backward areas.
- (iv) Bank credit enables entrepreneurs to innovate and invest which accelerates the process of economic development.
- (v) They help in promoting large-scale production and growth of priority sectors such as agriculture, small-scale industry, retail trade and export.
- (vi) They create credit in the sense that they are able to give more loans and advances than the cash position of the depositor's permits.
- (vii) They help commerce and industry to expand their field of operation.
- (viii) Thus, they make optimum utilisation of resources possible.

Venture Capital

Venture capital is a type of financing provided to privately-held businesses by investors in exchange for partial ownership of the company.

Venture capitalists (VCs) are more often firms, such as Kleiner Perkins or Sequoia. But individuals who are VCs are more generally known as “angel investors,” because they often get involved earlier and take a smaller stake.

VCs identify promising new technology, products, or concepts, and then provide the funding needed to move the project forward. As payment for their investment, they typically take an equity, or ownership, stake. While the impression may be that VC funding is pretty typical, in fact, historically, fewer than 1% of companies have landed VC money. It’s the exception, not the rule, according to the Harvard Business Review.

The Difference Between VCs and Banks

VCs invest in young, early-stage, aggressive-growth companies where banks will only lend to more established, profitable ventures.

VCs take an equity position, meaning ownership with no repayment of funds, where banks lend money that needs to be repaid.

VCs look for businesses where the risk-reward ratio is large where banks want no part of risk. At all.

VCs aim for exponential growth within 4-6 years where banks want to be repaid in 7-20, depending on what the money is being used for.

VCs are active investors, often becoming involved in the management of the ventures they invest in, while banks are passive and stay on the sidelines.

But VCs offer more than a cash infusion. They aren’t sugar daddies. Many VCs want to have a positive impact on the growth trajectory of the businesses they invest in. They don’t just want to

hand over money and watch the company take off. No, they want to play a role in helping the company be as successful as possible. That means requiring a seat on the board of directors or assuming a consulting role within the business.

It's rare that a VC firm or angel investor will stumble across a new opportunity. It's more typical that a young venture will seek out VCs. That can happen through:

Participation in a business accelerator or incubator

A meeting with a VC firm

An official pitch event

Attracting VCs will require a pitch deck, which is a PowerPoint presentation about the technology or concept in development. If interested, VCs will next want to see a comprehensive business plan explaining how the company will make money, and when. Due diligence is the next step in the process, when VCs research and triple check all the assumptions and statements made in the business plan. If they like what they see and hear, they may offer a term sheet outlining what they are willing to offer in terms of an investment and under what conditions.

What's typically appealing about VC funding is the caché of being associated with a well-known firm, the guidance offered by veteran entrepreneurs, and the infusion of cash without the need to pay it back. The downsides are the loss of control, the loss of ownership, and the pressure to rapidly ramp up sales and profits to meet VC expectations.

POSSIBLE QUESTIONS

2 marks

1. Define about IDBI.
2. What IFCI?
3. Define GIC.

4. Define Venture capital.
5. Define SIDC's.
6. Define UTI.
7. What is commercial bank?
8. Define ICICI.
9. Write short notes on LIC.

PART – B

8 Marks

1. Explain in detail about IFCI.
2. Explain the functions of LIC.
3. Explain the functions of ICICI.
4. Briefly explain the objective of SIPCOT.
5. Explain the functions of SIDBI.
6. Describe in detail about THIC & GIC.
7. What are the functions of IFCI?
8. Explain about commercial bank venture capital.
9. Explain the objectives of commercial banks.
10. What are the importance of IDBI?

SUBJECT: Entrepreneurship

SEMESTER: V

SUBJECT CODE: 17CCU503A

CLASS: III B Com CA

UNIT - IV

S.NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4	ANSWER
1	Many companies are attemptin to create the same----- of entrepreneurship in the oranization. <input type="checkbox"/>	spirit <input type="checkbox"/>	culture <input type="checkbox"/>	reward <input type="checkbox"/>	all <input type="checkbox"/>	all <input type="checkbox"/>
2	The typical ---- has a climate and reward system that favors conservative decision makin. <input type="checkbox"/>	entrepreneurial process <input type="checkbox"/>	opportunity identification <input type="checkbox"/>	entrepreneurial culture <input type="checkbox"/>	corporate culture <input type="checkbox"/>	corporate culture <input type="checkbox"/>
3	there is/are individual characteristic(s) neede for a person to be successful entrepreneurs, <input type="checkbox"/>	understandin the environment	bein visionary and flexible <input type="checkbox"/>	creatin manaement options <input type="checkbox"/>	all <input type="checkbox"/>	all <input type="checkbox"/>
4	Without ---- commitment, the oranization will never be able to make the necessary chanes. <input type="checkbox"/>	top manaement <input type="checkbox"/>	upper manaement <input type="checkbox"/>	middle manaement <input type="checkbox"/>	all <input type="checkbox"/>	top manaement <input type="checkbox"/>
5	with ----- cut backs, more control has been iven to lower levels of the oranization. <input type="checkbox"/>	top manaement <input type="checkbox"/>	upper manaement <input type="checkbox"/>	middle manaement <input type="checkbox"/>	lower manaement <input type="checkbox"/>	middle manaement <input type="checkbox"/>
6	Women are now startin new ventures at ----- time(s) the rate of men. <input type="checkbox"/>	one <input type="checkbox"/>	two <input type="checkbox"/>	three <input type="checkbox"/>	four <input type="checkbox"/>	three <input type="checkbox"/>

7	A/an -----, an individual who creates somethin for the first time, is a hihly driven individual motivated by his or her own work and personal ideas. <input type="checkbox"/>	entrepreneur <input type="checkbox"/>	inventor <input type="checkbox"/>	salesman <input type="checkbox"/>	investor <input type="checkbox"/>	inventor <input type="checkbox"/>
8	an entrepreneur falls in love with the new----- <input type="checkbox"/>	industry <input type="checkbox"/>	invention	venture <input type="checkbox"/>	none <input type="checkbox"/>	venture <input type="checkbox"/>
9	10- what causes people to do somethin: <input type="checkbox"/>	motivations <input type="checkbox"/>	need for achievement <input type="checkbox"/>	need for independence <input type="checkbox"/>	all of the above <input type="checkbox"/>	motivations <input type="checkbox"/>
10	----- is the process of an entrepreneur conductin business activities across national boundaries. <input type="checkbox"/>	A national entrepreneurship <input type="checkbox"/>	B international entrepreneurs hip <input type="checkbox"/>	C both a and b <input type="checkbox"/>	D non of the iven option <input type="checkbox"/>	B international entrepreneurship <input type="checkbox"/>
11	an entrepreneur is concerned about the same basic issue(s) <input type="checkbox"/>	a sales <input type="checkbox"/>	b costs <input type="checkbox"/>	c profits <input type="checkbox"/>	d all <input type="checkbox"/>	d all <input type="checkbox"/>
12	a countrie's ----- affects the valuation of its currency. <input type="checkbox"/>	A economics <input type="checkbox"/>	B culture and traditions <input type="checkbox"/>	C balance of payments <input type="checkbox"/>	D technoloical environment <input type="checkbox"/>	C balance of payments <input type="checkbox"/>
13	laws overnin business arranements also vary reatly in the -----different leal systems and sets of <u>national laws</u> .	A 150 <input type="checkbox"/>	B 50 <input type="checkbox"/>	C 100 <input type="checkbox"/>	D 95 <input type="checkbox"/>	A 150 <input type="checkbox"/>
14	to understand what is required for effective plannin, reportin and control the entrepreneur should consider: <input type="checkbox"/>	a environment analysis <input type="checkbox"/>	b strateic plannin <input type="checkbox"/>	c operatin plannin <input type="checkbox"/>	d all <input type="checkbox"/>	d all <input type="checkbox"/>
15	lesser-developed countries are able to obtain manufacturin technoloy without surrenderin economic control throuh----- . <input type="checkbox"/>	A licensin <input type="checkbox"/>	B turn key projects <input type="checkbox"/>	C direct forein investment <input type="checkbox"/>	D direct exportin <input type="checkbox"/>	B turn key projects <input type="checkbox"/>
16	a ----- is the combination of two firms that produce closely related projects in the same are <input type="checkbox"/>	A product extension merer <input type="checkbox"/>	B vertical merer <input type="checkbox"/>	C horizontal merer <input type="checkbox"/>	D diversified activity merer <input type="checkbox"/>	C horizontal merer <input type="checkbox"/>

17	the ----- method for generating new ideas is based on the fact that people can be stimulated to reater creativity by meetinwith others and participatin with oranized roup experiences. <input type="checkbox"/>	A brainstormin <input type="checkbox"/>	B focus roup <input type="checkbox"/>	C problem inventory analysis <input type="checkbox"/>	D non <input type="checkbox"/>	A brainstormin <input type="checkbox"/>
18	----- is a creative process that forces individuals to solve problems throuh one of four analysis mechanisms: personal, direct, symbolic and fantasy. <input type="checkbox"/>	A ordon method <input type="checkbox"/>	B checklist method <input type="checkbox"/>	C brainstormin <input type="checkbox"/>	D synectics	D synectics
19	----- method is a method of developin new ideas when the individuals are unaware of the problem. <input type="checkbox"/>	A synectics <input type="checkbox"/>	B ordon method <input type="checkbox"/>	C reverse brainstormin <input type="checkbox"/>	D matrix chartin <input type="checkbox"/>	B ordon method <input type="checkbox"/>
20	followin is/are the factor(s) that facilitate the rowth of e-commerce are: <input type="checkbox"/>	a the widespread use of personal computers <input type="checkbox"/>	b the adoption of intranets in companies <input type="checkbox"/>	c the acceptance of the internet as a business communications platform <input type="checkbox"/>	d all <input type="checkbox"/>	d all <input type="checkbox"/>
21	the product life cycle is enerally divided into the followin stae(s): <input type="checkbox"/>	a product introduction <input type="checkbox"/>	b market rowth and maturity <input type="checkbox"/>	c sales decline <input type="checkbox"/>	d all <input type="checkbox"/>	d all <input type="checkbox"/>
22	the entrepreneur should first file a ----- to establish a date of conception <input type="checkbox"/>	a the patent application <input type="checkbox"/>	b the disclosure document <input type="checkbox"/>	c patent infrinement <input type="checkbox"/>	d non <input type="checkbox"/>	b the disclosure document <input type="checkbox"/>
23	a ----- must have become distinctive and ained reconition before it can be reistere <input type="checkbox"/>	A arbitrary mark <input type="checkbox"/>	B suestive mark <input type="checkbox"/>	C descriptive mark <input type="checkbox"/>	D trade mark	C descriptive mark <input type="checkbox"/>
24	a ----- protects oriinal works of authorship. <input type="checkbox"/>	A trade marks <input type="checkbox"/>	B trade secrets <input type="checkbox"/>	C copyrihts <input type="checkbox"/>	D all <input type="checkbox"/>	C copyrihts <input type="checkbox"/>
25	the consumer product safety Act, passed in----- <input type="checkbox"/>	a 1986 <input type="checkbox"/>	b 1972 <input type="checkbox"/>	c 1970 <input type="checkbox"/>	d 1965 <input type="checkbox"/>	b 1972 <input type="checkbox"/>

26	common types of insurance include: <input type="checkbox"/>	a property insurance <input type="checkbox"/>	b casualty and life insurance <input type="checkbox"/>	c bondin <input type="checkbox"/>	d all <input type="checkbox"/>	d all <input type="checkbox"/>
27	insurance companies calculate the premium for workers' compensation as a percentae of: <input type="checkbox"/>	a parrolls <input type="checkbox"/>	b type of business <input type="checkbox"/>	c prior claim <input type="checkbox"/>	d all <input type="checkbox"/>	d all <input type="checkbox"/>
28	the perspective(s) need to be considered in the business plan is/are: <input type="checkbox"/>	a entrepreneur <input type="checkbox"/>	b investor <input type="checkbox"/>	c marketin perspective <input type="checkbox"/>	d all <input type="checkbox"/>	d all <input type="checkbox"/>
29	the ----- provides a brief summary of the business plan's contents. <input type="checkbox"/>	A executive summary <input type="checkbox"/>	B introductory pae <input type="checkbox"/>	C environmental and industry analysis <input type="checkbox"/>	D description of the venture	B introductory pae <input type="checkbox"/>
30	Following is/are the factor(s) that facilitate the growth of e-commerce are: <input type="checkbox"/>	the widespread use of personal computers <input type="checkbox"/>	the adoption of intranets in companies <input type="checkbox"/>	the acceptance of the internet as a business communications platform <input type="checkbox"/>	all <input type="checkbox"/>	all <input type="checkbox"/>
31	The product life cycle is generally divided into the following stae(s): <input type="checkbox"/>	product introduction <input type="checkbox"/>	market growth and maturity <input type="checkbox"/>	sales decline <input type="checkbox"/>	all <input type="checkbox"/>	all <input type="checkbox"/>
32	The entrepreneur should first file a ----- to establish a date of conception <input type="checkbox"/>	the patent application <input type="checkbox"/>	the disclosure document <input type="checkbox"/>	patent infringement <input type="checkbox"/>	none <input type="checkbox"/>	the disclosure document <input type="checkbox"/>
33	A ----- must have become distinctive and gained reconition before it can be registere <input type="checkbox"/>	arbitrary mark <input type="checkbox"/>	suggestive mark <input type="checkbox"/>	descriptive mark <input type="checkbox"/>	trade mark <input type="checkbox"/>	descriptive mark <input type="checkbox"/>
34	A ----- protects original works of authorship. <input type="checkbox"/>	trade marks <input type="checkbox"/>	trade secrets <input type="checkbox"/>	copyrights <input type="checkbox"/>	all <input type="checkbox"/>	copyrights <input type="checkbox"/>
35	The consumer product safety Act, passed in----- <input type="checkbox"/>	1986 <input type="checkbox"/>	1972 <input type="checkbox"/>	1970 <input type="checkbox"/>	1965	1972 <input type="checkbox"/>
36	Common types of insurance include: <input type="checkbox"/>	property insurance <input type="checkbox"/>	casualty and life insurance <input type="checkbox"/>	bonding <input type="checkbox"/>	all <input type="checkbox"/>	all <input type="checkbox"/>
37	Insurance companies calculate the premium for workers' compensation as a percentage of: <input type="checkbox"/>	parrolls <input type="checkbox"/>	type of business <input type="checkbox"/>	prior claim <input type="checkbox"/>	all <input type="checkbox"/>	all <input type="checkbox"/>

38	The perspective(s) need to be considered in the business plan is/are: <input type="checkbox"/>	entrepreneur <input type="checkbox"/>	investor <input type="checkbox"/>	marketing perspective <input type="checkbox"/>	all <input type="checkbox"/>	all <input type="checkbox"/>
39	The ----- provides a brief summary of the business plan's contents. <input type="checkbox"/>	A executive summary <input type="checkbox"/>	B introductory page <input type="checkbox"/>	C environmental and industry analysis <input type="checkbox"/>	D description of the venture <input type="checkbox"/>	B introductory page <input type="checkbox"/>
40	The creative process for problem solvin that involves makin the strane familiar in first step and then makin the familiar strane throuh personal, direct or symbolic analoy is called: <input type="checkbox"/>	Synectics <input type="checkbox"/>	ordon method <input type="checkbox"/>	Checklist method <input type="checkbox"/>	Scientific method Bottom of Form <input type="checkbox"/>	Synectics <input type="checkbox"/>
41	Which of the followin is included in the description of the business? <input type="checkbox"/>	Location <input type="checkbox"/>	Products offered <input type="checkbox"/>	History <input type="checkbox"/>	All of the iven options <input type="checkbox"/>	All of the iven options <input type="checkbox"/>
42	Which of the followin can not be covered under the copyriht protection? <input type="checkbox"/>	Computer software <input type="checkbox"/>	Computer hardware <input type="checkbox"/>	Poems and sons <input type="checkbox"/>	Models and sculpture <input type="checkbox"/>	Computer hardware <input type="checkbox"/>
43	Why should an entrepreneur do a feasibility study? <input type="checkbox"/>	To see if there are possible barriers to success <input type="checkbox"/>	To identify possible sources of funds <input type="checkbox"/>	To estimate the expected sales <input type="checkbox"/>	To explore potential customers <input type="checkbox"/>	To see if there are possible barriers to success <input type="checkbox"/>
44	In an international perspective, which of the followin decisions are NOT covered under strateic plannin of an entrepreneur? <input type="checkbox"/>	What are unique characteristics of each market? <input type="checkbox"/>	Who should be involved in marketin decisions? <input type="checkbox"/>	What customer benefits are provided by the product? <input type="checkbox"/>	What are the company's major strenths and weaknesses? <input type="checkbox"/>	What are unique characteristics of each market? <input type="checkbox"/>
45	All of the followin are essential to maintain secrecy EXCEPT: <input type="checkbox"/>	Train employees to refer sensitive questions to one person <input type="checkbox"/>	Discuss business in public places <input type="checkbox"/>	Provide escorts for all office visitors <input type="checkbox"/>	Use simple security such as locked file cabinets <input type="checkbox"/>	Discuss business in public places <input type="checkbox"/>
46	Which one of the followin contracts should be in written? <input type="checkbox"/>	Real estates <input type="checkbox"/>	Lease <input type="checkbox"/>	Rentals <input type="checkbox"/>	All of the given options <input type="checkbox"/>	All of the given options <input type="checkbox"/>
47	Which one of the factors should be considered while assessin the space for business? <input type="checkbox"/>	Parkin <input type="checkbox"/>	Access from roadways to facility <input type="checkbox"/>	Delivery rates <input type="checkbox"/>	All of the iven options <input type="checkbox"/>	All of the iven options <input type="checkbox"/>

48	Which of the followin is a more structured method of problem solvin, includin principles and rules for concept formation, makin observations and experiments, and finally validatin the hypothesis? <input type="checkbox"/>	Scientific method <input type="checkbox"/>	Heuristics <input type="checkbox"/>	Attribute listin <input type="checkbox"/>	Value analysis <input type="checkbox"/>	Scientific method <input type="checkbox"/>
49	The importance of intellectual property should be understood by entrepreneur even before: <input type="checkbox"/>	Hirin a manaaer <input type="checkbox"/>	Enain an attorney <input type="checkbox"/>	Developin a product <input type="checkbox"/>	Establishin new venture <input type="checkbox"/>	Enain an attorney <input type="checkbox"/>
50	Which of the followin is/are a source of idea eneration? <input type="checkbox"/>	Consumers <input type="checkbox"/>	Federal overnment <input type="checkbox"/>	Brain stormin <input type="checkbox"/>	All of the above <input type="checkbox"/>	All of the above <input type="checkbox"/>
51	Idea of new product is tested in potential consumers to determine consumer acceptance at stae. <input type="checkbox"/>	Concept <input type="checkbox"/>	Product development <input type="checkbox"/>	Test marketin <input type="checkbox"/>	Commercializ ation <input type="checkbox"/>	Concept <input type="checkbox"/>
52	Followin are the types of non equity arranements EXCEPT: <input type="checkbox"/>	Licensin <input type="checkbox"/>	Manaement contracts <input type="checkbox"/>	Direct export <input type="checkbox"/>	Turnkey projects <input type="checkbox"/>	Direct export <input type="checkbox"/>
53	Followin are the important aspects of international success EXCEPT:	Plannin <input type="checkbox"/>	Diversificatio n <input type="checkbox"/>	Reportin not sure <input type="checkbox"/>	Control <input type="checkbox"/>	Reportin not sure <input type="checkbox"/>
54	Health insurance premium is less expensive if there is: <input type="checkbox"/>	One insured participants <input type="checkbox"/>	Ten participants <input type="checkbox"/>	Lare roup of participants <input type="checkbox"/>	Very small roup of participants <input type="checkbox"/>	Lare roup of participants <input type="checkbox"/>
55	The evaluation criteria for the new product should include all of the followin, EXCEPT: <input type="checkbox"/>	Determination of market demand <input type="checkbox"/>	Determinatio n of the suppliers <input type="checkbox"/>	Pricin and marketin policies of other competin firms <input type="checkbox"/>	Product should be profitable <input type="checkbox"/>	Determination of the suppliers <input type="checkbox"/>
56	Which one of the following is the next stage to the Concept Stage of Product Planning and Development Process? <input type="checkbox"/>	Idea Stage <input type="checkbox"/>	Product Planning Stage <input type="checkbox"/>	Product Development Stage <input type="checkbox"/>	Test Marketing Stage <input type="checkbox"/>	Product Development Stage <input type="checkbox"/>

57	Which of the following contains large number of new ideas? <input type="checkbox"/>	Files of Patent office <input type="checkbox"/>	Official Gazette <input type="checkbox"/>	Government patent Board <input type="checkbox"/>	All of the given option <input type="checkbox"/>	All of the given option <input type="checkbox"/>
58	According to the governing bodies of common laws, the life of trade secret is: <input type="checkbox"/>	12 years <input type="checkbox"/>	17 years <input type="checkbox"/>	20 years <input type="checkbox"/>	As long as it remains confidential	As long as it remains confidential
59	Which of the following shows the process of creating something new?	Business model	Modeling	Creative flexibility	Innovation Question	Innovation Question
60	Which one of the following gives suggestions for new product and also help to market new products?	Existing products and services	Federal government	Distribution Channels	Consumers	Distribution Channels

UNIT-V**SYLLABUS**

Incentives and subsidies-subsidized services- subsidy for market – Transport – seed capital assistance – Taxation benefits to SSI – Role of Entrepreneurs in export promotion and import substitution.

SUBSIDY

Definition: Subsidy is a transfer of money from the government to an entity. It leads to a fall in the price of the subsidized product.

Description: The objective of subsidy is to bolster the welfare of the society. It is a part of non-plan expenditure of the government. Major subsidies in India are petroleum subsidy, fertilizer subsidy, food subsidy, interest subsidy, etc.

DEFINITION AND MEANING

A subsidy is a quantity of money given directly to companies, organizations, or individuals by the taxpayer (government). Subsidies aim to encourage production, boost exports, promote research, prevent a business from collapsing, or reduce unemployment. They are also introduced to make the price of a product more affordable to consumers.

A subsidy may consist of financial assistance to help producers of something compete more effectively in the marketplace. In this context, the term ‘marketplace’ means the same as ‘market’ in its abstract sense.

The most basic form of subsidy is a cash payment or grant. Grants generally refer to time-limited payments that are linked to specific investments.

Grants may also enable a company to cover all or part of its general costs. Some grants target specific activities, such as research.

The word ‘subsidy’ comes under the umbrella term ‘financial assistance.’

Many governments give subsidies to farmers to supplement their income and influence the cost and supply of agricultural commodities.

Examples of subsidized agricultural commodities include lamb, mutton, pork, beef, tobacco, peanuts, rice, milk, cotton, and grains.

While farmers think these financial incentives are great, many people criticize them.

In fact, the agricultural subsidies in the United States, Canada, the European Union, and Japan are bad for farmers in developing countries.

Farmers in developing nations eventually abandon their farms and move into cities. Many of them migrate to the advanced economies to find work, some economists claim.

TRANSPORT SUBSIDIES

Many governments across the world subsidize public transport, particularly rail, air, bus, and subway (UK: underground) transport. Their subsidies decrease congestion and reduce pollution.

They also help create more wealth by getting people to work and business appointments more rapidly.

Put simply; investing in transport infrastructure helps improve productivity within an economy.

European Union railways absorb €36 billion of public subsidies annually. According to the European Commission, €36 billion is nearly as much as they earn from fares.

China is a massive investor and subsidizer of rail transport and infrastructure. In 2015, China invested more than \$128 billion in domestic railway construction.

Some governments see airport subsidies as unfair because they distort the free-market, level playing field.

The EU criticizes Germany for its high number of subsidized (loss-making) airports, which low-cost carriers use.

In many countries, roads and highways (UK: motorways) are paid for fully by the government rather than tolls.

German railway operators say it is unfair that long-distance bus services pay no tolls. German railway companies, on the other hand, have to pay track access charges.

SEED CAPITAL

Seed capital is the funding required to get a new business started. This initial funding, which usually comes from the business owner(s) and perhaps friends and family, supports preliminary activities such as market research, product research and development (R&D) and business plan development.

Seed capital funding is considered high-risk because the business is not fully functional and has no track record. Investors who provide seed capital funding often do so for a stake in the company. Once a startup has demonstrated feasibility, it is more likely to attract venture or angel investment to provide the greater funds necessary to get the business up and running.

Some of the tax benefits available to Small-Scale Industries in India are as follows:

Tax Holiday:

Under section 80J of the Income Tax Act 1961, new industrial undertakings, including small-scale industries, are exempted from the payment of income- tax on their profits subject to a maximum of 6% per annum of their capital employed. This exemption in tax is allowed for a period of five years from the commencement of production.

A small-scale industry has to satisfy the following two conditions to avail of this tax exemption facility:

1. The unit should not have been formed by the splitting or reconstruction of an existing unit.
2. The unit should employ 10 or more workers in a manufacturing process with the power or at least 20 workers without power.

Depreciation:

Under Section 32 of the Income Tax Act, 1961, a small-scale industry is entitled to a deduction on depreciation account on block of assets at the prescribed rate. Small enterprise is allowed subject to a maximum of Rs. 20 lakh deduction for depreciation on plant and machinery on the diminishing balance method.

In case of an asset acquired before the accounting period, depreciation is calculated on its written down value. For plant and machinery that are used in manufacturing in double or triple shift, an additional allowance called 'Extra Shift Allowance' is also available.

A small-scale industry should satisfy the following conditions before it becomes eligible for deduction in depreciation:

1. The assets must be owned by the assessee.
2. The assets must actually be used for the purpose of the assessee's business or profession.
3. Depreciations allowance or deduction is allowed only on fixed assets, i.e. building machinery, plant and furniture.

From assessment year 1991-92, in the case of a company, depreciation will be limited to Rs. 7,590/- of the amount calculated at the specified percentage on the written down value block of assets.

Rehabilitation Allowance:

A rehabilitation allowance is granted to small-scale industries under Section 33-B of the Income Tax Act, 1961 whose business is discontinued on account of the following reasons:

1. Flood, typhoon, hurricane, cyclone, earthquake, or other natural upheavals;
2. Riot or civil disturbance;
3. Accidental fire or explosion; and

4. Action by an enemy or action taken in combating an enemy.

The rehabilitation allowance should be used for business purposes within three years of unit's re-establishment, reconstruction, or revival .The rehabilitation allowance is allowed to the unit equivalent of 60 per cent of the amount of the deduction allowable to the unit.

Investment Allowance:

The Investment allowance was introduced way back in 1976 to replace the initial depreciation allowance. The investment allowance under Section 31 A of the Income Tax Act, 1961 is allowed at the rate of 25 per cent of the cost of acquisition of new plant or machinery installed.

Although the investment allowance has been made available for the articles or things except certain items of low priority, yet as per the Eleventh Schedule to the Income Tax Act 1961, a special dispensation has been provided for the plant and machinery installed in small-scale industries. In comparison with other industries, small-scale industries are at an advantage in claiming a deduction of investment allowance. A small-scale industry can avail of investment allowance provided it has put to use machinery or plant either in the year of installation or in the immediate following year failing which the benefit will be forfeited.

Expenditure on Scientific Research:

Under Section 35 of the Income Tax Act, 1961, the following deductions in respect of expenditure on scientific research are allowed:

1. Any revenue expenditure incurred on scientific research related to the business of the assessee in the previous year.
2. Any sum paid to a scientific research association or a university, college, institution or to a public company which has its object, the undertaking of a scientific research.
3. Any capital expenditure incurred on scientific research related to the business of the assessee subject to the provision of Section 35(2) of the Income Tax Act, 1961.

In case of any unabsorbed capital expenditure incurred on scientific research, the provision of the Income Tax Act allow to carry it forward for adjustment against the profits earned by the business in the subsequent years for an indefinite time period.

Amortization of Certain Preliminary Expenses:

The Indian companies and resident persons, under Section 35D of the Income Tax Act 1961, are allowed to write off the preliminary and developmental expenses incurred by them in connection with the setting up of a new industrial unit or expansion of an existing industrial unit.

The examples of preliminary expenses are:

- a. Expenses incurred in connection with the preparation of a feasibility report necessary for their business;
- b. Engineering expenses related to the business; and
- c. Legal charges, if any, for drafting agreements.

The writing off of the preliminary expenses is allowed against subject to a maximum of ten annual installments beginning with the previous year in which the new unit commences its production or expansion of an existing unit is completed. The aggregate amount of expenditure allowed be deducted is limited to 2.5 per cent of the total cost of the project.

A small-scale unit established in a backward area, under Section 80-HH, is allowed a deduction of 20 per cent on its profits and gains provided the unit satisfies the following conditions:

- a. The unit began its production after 31st December 1970 in any backward area of the country;
- b. It is a newly established unit in a backward area. It is neither split nor reconstituted out of a business already in existence in any backward area;
- c. It has not been formed by the transfer to a new business plant or machinery which was previously used for any purpose in any backward area; and

d. It employs 10 or more workers in a manufacturing process with power or 20 or more workers without power.

Tax Concession to Small-Scale Industries in Rural Areas:

The Finance (No.2) Act of 1977 inserted a new Section 80-HHA in the Income Tax Act, 1961. The tax payers, under this Section 80-HHA, are entitled to a deduction of 20 % of the profits and gains derived by running small-scale industries in the rural areas.

The deduction is allowed for a period of 10 years from the year of commencement of manufacturing activity after 30th September 1977. For this purpose, the expression rural area means any area as defined under the Explanation to Section 35 CC (I) of the Income Tax Act, 1961. However, this tax deduction benefit is not allowed to the small-scale units engaged in mining activity.

The small-scale industry can avail of this tax deduction only after fulfilling the following conditions:

1. The small-scale unit is not formed by splitting or reconstruction of a business already in existence.
2. 'It is not formed by the transfer to a new business of machinery or plant previously used for any purpose.
3. The accounts of the unit are audited by a chartered accountant.
4. It employs 10 or more workers in manufacturing process carried on without the aid of power.
5. The unit does not claim a simultaneous deduction under Section 80-HH of the Income Tax Act, 1961.

Tax Concessions to Small-Scale Industries in Backward Areas:

The Planning Commission of India, in 1970-71, declared 247 districts out of 435 districts as backward areas with a view to provide them special incentives and concessions to establish

industries in these backward areas. The newly established small-scale industries in these areas specified in the Eighth Schedule to the Income Tax Act, 1961 are entitled to a deduction of 20% of their profits and gains from their gross total income.

This deduction is allowed for a period of 10 years beginning with the year of commencement of manufacture or production. However, if a small-scale industry has already been established in a non-backward area and later shifted to backward area, the unit will be allowed this deduction on the profits earned from the undertaking after shifting in the backward area for a period of 10 years. A small-scale industry established in backward area but engaged in mining activity is not entitled to such deduction benefit.

The unit has to satisfy the following conditions to be eligible to avail of this tax benefit:

1. It is established on or after 31st December, 1970.
2. It employs at least 10 workers in a manufacturing process carried on with the aid of power or at least 20 workers manufacturing process carried on without the aid of power.

Expenditure on Acquisition of Patents and Copyrights:

Under Section 35-A of the Income Tax Act, 1961, any expenditure of capital nature incurred in acquiring a patent and copyright by a small-scale industry is deductible from its income. But the expenditure should be incurred after 28th February 1966. The expenditure can be deducted in 14 equal installments beginning with the previous year in which the expenditure was incurred in acquiring patents and copyrights for the unit.

Import Substitution and Export Promotion

In this article we will discuss about import substitution and export promotion.

Most economists and policymakers view LDCs as consisting of large “traditional” and “modern” sectors. Hence development has come to be seen as a process of contracting the traditional sector and its growth-retarding institutions in favour of a growing modern industrial sector.

Less developed countries (LDCs) have adopted two alternative strategies for achieving industrialization— viz., inward-looking strategy and outward-looking strategy.

An inward-looking strategy is an attempt to withdraw, at least in the short run, from full participation in the world economy. This strategy emphasizes import substitution, i.e., the production of goods at home that would otherwise be imported.

This can economies on scarce foreign exchange and ultimately generate new manufactured exports without difficulties associated with the exports of primary products if economies of scale are important in import substituting industries and if the infant industry argument applies. The strategy uses tariffs, import-quotas and subsidies to promote and protect import-substitute industries.

In contrast, an outward-looking strategy emphasizes participation in international trade by encouraging the allocation of resources in export-oriented industries without price distortions. It does not use policy measures to shift production arbitrarily between serving the home market and foreign markets.

In other words, it is an application of production according to comparative advantage; the current expression is that, the LDCs should 'get prices right'. This strategy focuses on export-promotion, whereby policy measure such as export subsidies, encouragement of skill formation in the labour force and the use of more advanced technology, and tax concessions generate more exports, particularly labour intensive manufactured exports in accordance with the principle of comparative advantage.

Now these two strategies may be compared and evaluated:

Import Substitution Strategy:

For various reasons, many LDCs have ignored primary-exports-led growth strategies in favour of import substitution (IS) development strategies. These policies seek to promote rapid industrialization and, therefore, development by erecting high barriers to foreign goods in order to encourage domestic production. A package of policies, called import substitution (IS), consists

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of a broad range of control, restriction and prohibitions such as import quotas and high tariffs on imports.

The trade restrictions are intended to “protect” domestic industries so that they can gain comparative advantage and substitute domestic goods for formerly imported goods. IS policies are largely based on the belief that economic growth can be accelerated by actively directing economic activity away from traditional agriculture and resource-based sectors of the economy towards manufacturing.

The broad range of tariffs, quotas and outright prohibitions on imports that are part of IS policies are clearly not a form of infant industry protection. The infant-industry argument states that sectors and industries that can reasonably be expected to gain comparative advantage, after some learning period, should be protected.

But the broad protection under IS policies usually protect all industries indiscriminately, whether they generate technological externalities or have any chance of achieving competitive efficiency.

IS policies were advocated due to a very sharp decline in the prices of commodities and raw materials exported by many LDCs. Prebisch and Singer convincingly argued that low-income elasticity of demand for primary products implied that, in the long run, the terms of trade of primary product exporters would deteriorate.

In short, the IS approach to development applies the strategic argument for protection to one or more targeted industries in the LDCs. That is, the government determines those sectors best suited for local industrialization, erects barriers to trade on the products produced in these sectors in order to encourage local investment and then lowers the barriers over time as the industrialization process gains momentum.

If the government has targeted the correct sectors, the industries will continue to thrive even as protection comes down. In practice, however, the trade barriers are rarely removed. In the end, countries that follow IS strategies tend to be characterized by high barriers to trade that grow over time.

Development through Import Substitution Versus Exports:

During the 1950s, 1960s and 1970s, most developing nations made a deliberate attempt to industrialize rather than continuing to specialize in the production of primary commodities (food, raw materials, and minerals) for export as prescribed by the traditional trade theory.

Having decided to industrialize, the developing nations had to choose between industrialization through import substitution and export-oriented industrialization. Both policies have advantages and disadvantages.

An import substitution industrialization (ISI) strategy has three main advantages:

- 1 The market for industrial product already exists, as evidenced by imports of the commodity. So risks are reduced in setting up an industry to replace imports.
2. It is easier for LDCs to protect their domestic market against foreign competition than to force developed nations to lower trade barriers against their manufactured exports.
3. Foreign firms are induced to establish so-called tariff factories to overcome the tariff walls of LDCs.

Against these advantages are the following disadvantages:

1. Domestic industries can grow by being accustomed to protection from foreign competition and have no incentive to become more efficient.
2. Import substitution can lead to inefficient industries because the narrow size of the domestic market in many LDCs does not allow them to take advantage of economies of scale.
3. After the simpler manufactured imports are replaced by domestic production, IS becomes more and more difficult and costly (in terms of higher protection and inefficiency) as more capital-intensive and technologically advanced imports have to be replaced by domestic production.

4. IS policies tend to limit the development of industries that supply inputs to protected industries, which produce consumer goods. The concept of the effective rate of protection suggests that tariffs tend to escalate by stages of processing.

5. The countries that pursue IS strategies tend not to apply high tariffs to capital goods. As such, imported capital goods are used extensively in domestic production. Supported by other domestic policies (e.g., minimum wage laws that tend to raise labour costs) domestic firms utilize relatively capital-intensive production techniques. This means that employment in a newly industrializing sector does not grow at the desired rate.

6. Finally, because the whole development strategy depends upon the choices made by government officials, considerable resources are devoted to rent-seeking activities. In any event, the resources used in these activities could have been devoted to productive enterprises and hence represent additional economic waste over and above the usual deadweight loss of protection.

Slow Technological Progress under IS Policies:

The proximate reason for the failure of import-substitution policies is the gradual slowdown of technological progress. The likely cause of this slowdown can be found in the Schumpeterian model of endogenous technological progress.

For the process of creative destruction to work, there must be destruction as well as creation. If an initial creation is not followed by a second creation, which implies the destruction of the first creation's advantage, then economic growth stops.

In India, Pakistan and many African countries, government planners and anti-market bureaucrats encouraged or even mandated collusion among protected industries. Thus, the initial closing of the market to foreign imports provided a onetime spurt of innovation as new firms were established to take advantage of the profit offered by the protected market.

But then the lack of foreign competition made further innovation less interesting and obstruction of others more lucrative. Hence, eventually, the rate of technological innovation slowed, and so did economic growth.

Seen in this light, import substitution is at best a temporary measure for increasing economic growth. But if there are only short-run gains in growth and those gains come at the cost of short-run static losses from protection, the attractiveness of import substitution is greatly diminished. Recall that import substitution proponents claimed that IS policies would lead to higher long-run growth. The widespread abandonment of import-substitution policies in recent decades should, therefore, not be surprising.

Outward-Looking Development Policies:

As opposed to import substitution (IS) policies, some LDCs have adopted outward-looking development strategies. These policies involve government targeting of sectors in which the country has potential comparative advantage. Thus, if a country is well endowed with low-skilled labour, the government would encourage the development of labour-intensive industries in the hope of promoting exports of these products.

This type of strategy includes government policies such as keeping relatively open markets so that, internal prices reflect world prices maintaining an undervalued exchange rate so that export prices remain competitive in world markets, and imposing only minimum government interference on factor markets so that wages and rent reflect true scarcity. In addition, successful exporters often enjoy external benefits in the form of special preference for the use of port facilities, communication networks, and lower loan and tax rates.

A trade-cum-growth strategy focusing on exports is called export-led growth. Under this strategy, firms get the encouragement to export in a variety of ways, such as being given increased access to credit often at a subsidized rate.

Disadvantages:

On the other hand, there are two serious disadvantages of export-led growth strategy:

1. It may be very difficult for LDCs to set up export industries because of the competition from the more established and efficient industries in developed nations.
2. Developed nations often provide a high level of effective protection for their industries producing simple labour-intensive commodities in which LDCs already have or can soon acquired a comparative advantage.

Comparison of the Two Strategies:**1. Employment Generation and Income Distribution:**

In general, countries adopting outward-looking strategy have done better than those which adopted inward-looking strategy. Moreover, empirical evidence suggests that outward orientation rather than inward orientation may lead to more equal income distribution.

The main reason for this is that, the expansion of labour-intensive exports generates employment opportunities, while import-substitution policies often result in capital-intensive production processes that displace labour.

2. Foreign Exchange Reserve:

Another benefit of outward-looking strategy is that foreign exchange reserve is earned permanently. On the other hand, under inward-looking strategy foreign exchange is lost temporarily because the replacement of imports of final goods by domestic production requires imports of raw materials, capital equipment, and components. The end result may be increased rather than decreased dependence on imports.

Flaws of Outward-Looking Policies:

Despite the seeming advantage of outward-looking policies, some economists and policymakers are reluctant to support the policy fully because of:

1. Protectionist Barriers:

The expansion of manufactured exports, such as that attained by Hong Kong, South Korea, Singapore and Taiwan (the “four Asian Tigers”) can run into protectionist barriers in the industrialized countries. Since the labour-intensive manufactured exports pose a threat to well-established industries in industrialized countries (e.g., textiles-and shoes), restrictions such as the Multi-Fiber Arrangement (MFA) in textiles and apparel may stifle this route to development for many LDCs.

2. Shortage of Skilled Manpower:

In addition, the export path may require skilled labour, which is in short supply in LDCs. A huge amount of resources has to be devoted for necessary skill formation and knowledge acquisition. (No doubt import substitution also runs into the same problem).

3. Fallacy of Composition:

There is a ‘fallacy of composition’ in the outward-looking strategy. It is because while any one country may face high price elasticity of demand in exports of manufactured goods, the demand facing all LDCs is less elastic than that facing any one country. Sharp fall in prices may occur if all LDCs follow the same pattern.

4. Lack of Association between Export Growth and Industrialization:

In addition, some empirical studies fail to find any positive relationship between exports and industrialization. Some studies suggest that the positive link occurs only above some threshold income level.

Wanted: A Combination Strategy:

In the ultimate analysis, it seems that the two trade strategies—import substitution and export promotion—are not mutually exclusive. They may go hand in hand and may reinforce each other. So, what is called for is a strategy which seeks to combine the virtues of the two strategies.

In fact, some mix or sequence of the two strategies may be appropriate in some cases. For example, South Korea engaged in IS before embarking on its export-led growth path. In cases of infant industries this may be a good strategy.

Economic Integration:

In addition, M. P. Todaro has suggested that economic integration among LDCs may offer benefits because it is a combination of an outward-looking strategy (through freer trade with other LDC partners) and an inward-looking strategy in which the customs union as a whole is turning away from the rest of the world economy.

In any event, the precise extent to which a country should turn outward or inward depends on its own external and internal characteristics. The policies to be recommended can be decided on a case-by-case basis.

Conclusion:

There is clear evidence that those LDCs which have increased exports of manufacturers have succeeded in increasing export earnings. There is also ample evidence that producers in these respond favourably to economic incentives.

The East Asian countries have demonstrated clearly the viability of trade policies in promoting industrialization through reliance on foreign markets (as opposed to domestic markets) and were based on dynamic comparative advantage that went beyond reliance on primary commodities.

The East Asian experience clearly demonstrated that the earlier export pessimism that underlay the ideas of IS was perhaps more an indicator of inward-oriented trade and payment regimes than an outward focus based on a dynamic comparative advantage. The East Asian experience suggests that LDCs with an outward focus would not lock themselves permanently into a pattern of primary product specialization.

So the conclusion is that a clear understanding of comparative advantage and the importance of fostering the presence of correct relative prices of products and factors is central to harnessing

the potential role of international trade in promoting the development of newly industrializing countries.

POSSIBLE QUESTIONS

2 marks

1. What is seed capital assistance?
2. What do you mean by export promotion?
3. What is import substitution?
4. What is subsidy?
5. Write short notes on SSI.
6. What do you mean by incentives?
7. Write short notes on seed capital.

PART – B

8 Marks

1. Explain the Role of entrepreneurship in import substitution.
2. Write in detail about incentives and subsidy.
3. Write about the role of entrepreneurship in export promotion.
4. Explain in detail about taxation benefits offered by Government towards SSI.
5. Explain in detail about the seed capital assistance.
6. Explain in detail about subsidy offered by Government towards Transport.
7. Write about the available subsidized services in India.
8. Explain in detail about import and export activities.

SUBJECT: Entrepreneurship

SEMESTER: V

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UNIT - V

S.NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4	ANSWER
1	Which of the following is used by entrepreneurs to acquire experience in an international market before making a major commitment?	Merger	Minority Interest	Joint venture	Majority interest	Minority Interest
2	GATT is established in 1947, under:	German leadership	U.S. leadership	French leadership	U.K. leadership	U.S. leadership
3	The entrepreneur was distinguished from capital provider in:	Middle ages	17th century	18th century	19th and 20th century	18th century
4	In franchising, the entrepreneur assumes fewer risks because the franchise provides all but which one of the following?	Established market for the product	Management assistance in operating the business	Economies of scale for purchasing	Oversale of rights	Oversale of rights
5	What is the process by which individuals pursue opportunities without regard to resources they currently control?	Startup management	Entrepreneurship	Financial analysis	Feasibility planning	Entrepreneurship
6	Having less than 50 percent of equity share in an international venture is called:	Joint Venture	Majority interest	Minority interest	Exporting	Minority interest
7	Having more than 50% ownership position that provides the entrepreneur with managerial control is called:	Joint Venture	Majority interest	Horizontal merger	Diversified activity merger	Majority interest
8	Which one of the following is the process of entrepreneurs developing new products that over time make current products obsolete?	New business model	Anatomization	None of the given options	Creative destruction	Creative destruction
9	Which of the following factors is the most important in forcing U.S companies to focus on new product development and increased productivity?	Entrepreneurship	Hyper competition	Governmental laws	Organizational culture	Hyper competition
10	Which of the following is alternatively called corporate venturing?	Entrepreneurship	Intrapreneurship	Act of stating a new venture	Offering new products by an existing company	Intrapreneurship

11	Individuals influencing an entrepreneur's career choice and style are known as which of the following?	Moral-support network	Role model	Professional support network	Support system	Role model
12	The activity which occurs when the new venture is started is called:	Motivation	Business skills	Departure point	Goal orientation	Departure point
13	The level at which an individual is viewed by society is called	Financial status	Qualification	Social status	Achievement	Social status
14	Which one of the following is an important source of idea generation due to their familiarity with the needs of market?	Existing products and services	Distribution channels	Federal government	Consumers	Distribution channels
15	Members of distribution channels are excellent sources for new ideas because:	They earn a handsome profit from new business	They are familiar with the needs of the market	They do not bother if entrepreneur bears a loss	They have well-developed sales force	They are familiar with the needs of the market
16	Which one of the following is the most important characteristic of a successful business website?	Innovation	Speed	Graphics	Products	Speed
17	Which one of the following is the next stage to the Concept Stage of Product Planning and Development Process?	Idea Stage	Product Planning Stage	Product Development Stage	Test Marketing Stage	Product Development Stage
18	SBA stands for:	Small business accountants	Small business administration	Small business adequacy	Small business advisors	Small business administration
19	Why should an entrepreneur do a feasibility study for starting a new venture	To identify possible sources of funds	To see if there are possible barriers to success	To estimate the expected sales	To explore potential customers	To see if there are possible barriers to success
20	Information regarding all of the following is related to operations, EXCEPT:	Location	Promotion	Raw materials	Labor skills	Raw materials
21	A performance and credit rating scheme has been launched by the MSME Ministry to assess creditworthiness and capabilities of industries in the sector. What is it called?	Performance and Credit Rating Scheme	Zero Defect Zero Effect Certification	Performance and Economy Rating Scheme	None of the above	Performance and Credit Rating Scheme
22	A Micro Enterprise is an enterprise where investment in plant and machinery does not exceed (According to MSMED Act, 2006):	Rs. 15 Lakh	Rs. 20 Lakh	Rs. 25 Lakh	Rs. 30 Lakh	Rs. 25 Lakh
23	EDP (Entrepreneurship Development Programmes) is required to help:	Existing entrepreneurs	First generation entrepreneurs	Future generations entrepreneurs	None of the above	First generation entrepreneurs

24	A corporate manager who starts a new initiative for their company which entails setting up a new distinct business unit and board of directors can be regarded as?	Ecopreneur	Technopreneur	Intrapreneur	Social Entrepreneur	Intrapreneur
25	A women entrepreneur is supposed to have a minimum financial interest in share capital of entrepreneur's enterprise:	35 per cent	51 per cent	25 per cent	None of the above	25 per cent
26	Family business always interested to handover the change of his business to:	Indian Administration Officers	Professional Managers	Next generation	None of the above	Next generation
27	A corporate manager who starts a new initiative for their company which entails setting up a new distinct business unit and board of directors can be regarded as?	Ecopreneur	Technopreneur	Intrapreneur	Social Entrepreneur	Intrapreneur
28	Venture capital is concerned with:	New project having potential for higher profit	New project of high technology	New project having high risk	All the above	New project having potential for higher profit
29	An entrepreneur is someone who assumes the major risks of a new business by committing which of the following?	equity	time.	career.	all of the above	all of the above
30	An informal group of innovative employees who are permitted to digress temporarily from their regular tasks to develop new ideas are referred to as:	underground	skunkworks.	yahoos	intrapreneurs.	skunkworks.
31	It is estimated that approximately _____ percent of small businesses fail within the first five years.	10	25	50	75	75
32	Which of the following is not a personal characteristic often found in an entrepreneur?	self-confident	independent-minded.	perceptive	follower	follower
33	The period of business when an entrepreneur must position the venture in a market and make necessary adjustments to assure survival is called the:	pre-startup stage	startup stage	early growth stage	later growth stage	startup stage
34	Which of the following is usually included in a business plan?	detailed description of the product or service	marketing and promotional plans	management and staffing	all of the above	all of the above
35	Which of the following is a reason why a person might prefer to purchase a franchise rather than open a completely new business?	higher failure rate	increased independence	ability to benefit from previous experience	reduced royalty fees	ability to benefit from previous experience

36	According to the textbook, which of the following management functions is the least well done?	planning	organizing	leading	controlling	planning
37	Which of the following is not a common motivation of an entrepreneur?	desire for independence	search for personal and professional growth	desire to maintain the status quo	search for more rewarding work	desire to maintain the status quo
38	A strategy of courting other companies that have knowledge, ideas or promising products is known as which type of intrapreneurship?	administrative intrapreneurship	opportunistic intrapreneurship	acquisitive intrapreneurship	imitative intrapreneurship	acquisitive intrapreneurship
39	A person within a company who takes a leadership role and is positioned to help ensure the success of an idea or innovation is often referred to as a:	supporter	champion	leader	evangelist	champion
40	Which of the following is a purpose of a business plan?	to attract financing	to inform competitors of plans	to discipline the entrepreneur to think of all aspects of the proposed venture.	a & c	a & c
41	Who said that the job of the entrepreneur is "creative destruction"?	Peter Drucker	Pierre Trudeau	Joseph Schumpeter	Brian Mulroney	Joseph Schumpeter
42	All of the following were invented by a Canadians except:	IMAX multiscreen projection	snowmobile	twin engine airplane	post-it note	post-it note
43	All but which of the following is considered to be a myth associated with entrepreneurship?	Successful entrepreneurs are born not made	First ventures are always successful	All entrepreneurs must willingly invest significant sums of money	An entrepreneur faces extraordinary business risks	First ventures are always successful
44	A/An _____ is best described by stating it is any business that is independently owned and operated and is not dominate in its market	strategic alliance	entrepreneurship	proprietorship	small business	small business
45	For small business owners, one of the most important objectives is _____	market presence	profitability	adaptability	innovation	profitability
46	Which of the following is not considered a common characteristic of an entrepreneur?	Internal locus of control	High need for achievement	External locus of control	Willingness to take risks	External locus of control
47	Bobby believes that what takes place within his new company is mostly the result of fate or factors that are outside of his control. It could be stated that Bobby possesses a/an _____.	innovative spirit	internal locus of control	high need for achievement	external locus of control	external locus of control

48	The entrepreneur who is committed to the entrepreneurial effort because it makes good business sense is classed as a/an ____.	inventor	opportunist	hacker	craftsperson	opportunist
49	Melissa is one of the newest and most successful entrepreneurs in the technology industry. She handles numerous dealings with other companies for the exchange of goods and services. Her primary goal is to ensure that all parties involved receive favorable and acceptable terms. Melissa is most probably excellent at the entrepreneurial skill of ____.	negotiating	networking	leadership	analysis	negotiating
50	The steps involved in an entrepreneurial endeavor include all but which one of the following?	Business plan formulation	Obtaining financing	Hiring a partner	Adapting to growth	Hiring a partner
51	The ideas for new businesses that are obtained by entrepreneurs are derived from many sources. These various sources include all but ____.	replication of an existing business	trade journals	trade shows	family members	replication of an existing business
52	Common reasons for entrepreneurial failure include all but which one of the following?	Poor implementation	Adequate financial support	Faulty product design	Ineffective human resources	Adequate financial support
53	A/An ____ is defined as the blueprint describing the business strategy for entering the marketplace and explains the business to potential investors	business alliance	spin-off	competitor analysis	business plan	business plan
54	which one is not considered a key component of a business plan?	Sources of funding	Market trend analysis	Methods for dissolution of the organization	Expansion plans	Methods for dissolution of the organization
55	A(n) ____ is defined as a form of business that is an association of two or more people acting as co-owners of a business	partnership	INC	corporation	conglomerate	partnership
56	Which one of the following would not be considered an advantage to a partnership formation?	Potential for double taxation	Less governmental control	Ease of formation	Division of labor and management responsibilities	Potential for double taxation
57	Which one of the following would not be considered a disadvantage of a corporation?	Limited continuity of life of enterprise	High incorporation fees	Corporate capital, profits, dividends, and salaries are double taxed	Extensive government regulations of activities	Limited continuity of life of enterprise

58	Entrepreneurships require financial backing in order to get started in the business world. Which of the following is not one of the methods commonly utilized to obtain the financial resources needed?	Equity	Commercial loans	Personal finances provided by friends	Venture capitalists	Personal finances provided by friends
59	_____ financing is raising money by selling part of the ownership of the business to investors.	Debt	Equity	Venture capitalist	Spin-off	Equity
60	which is best identified as an independent entrepreneurship that produces a product or service that originated in a large company?	Diversification	Trade-off	Franchise	Spin-off	Spin-off