
KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM (PA)

COURSE NAME: ENTREPRENEURSHIP AND

PROJECT MANAGEMENT

COURSE CODE: 16PAU602A

UNIT III

SEMESTER: VI

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UNIT-III – INSTITUTIONAL SERVICE TO ENTREPRENEUR

**Institutional Service to Entrepreneur - DIC - SIDO - NSIC - SISI - SSIC - SIDCO -
- ITCOT - IIC - KUIC and Commercial Bank.**

INSTITUTIONAL SET UP

The 'District Industries Centre' (DICs) programme was started by the central government in 1978 with the objective of providing a focal point for promoting small, tiny, cottage and village industries in a particular area and to make available to them all necessary services and facilities at one place. The finances for setting up DICs in a state are contributed equally by the particular state government and the central government. To facilitate the process of small enterprise development, DICs have been entrusted with most of the administrative and financial powers. For purpose of allotment of land, work sheds, raw materials etc., DICs functions under the 'Directorate of Industries'. Each DIC is headed by a General Manager who is assisted by four functional managers and three project managers to look after the following activities :

Activities of District Industries Centre (DIC)

- i. Economic Investigation
- ii. Plant and Machinery
- iii. Research, education and training
- iv. Raw materials
- v. Credit facilities

vi. Marketing assistance

vii. Cottage industries

Objectives of District Industries Centre (DIC)

The important objectives of DICs are as follow :

- i. Accelerate the overall efforts for industrialization of the district.
- ii. Rural industrialization and development of rural industries and handicrafts.
- iii. Attainment of economic equality in various regions of the district.
- iv. Providing the benefit of the government schemes to the new entrepreneurs.
- v. Centralization of procedures required to start a new industrial unit and minimisation- of the efforts and time required to obtain various permissions, licenses, registrations, subsidies etc.

FUNCTIONS OF DISTRICT INDUSTRIES CENTRE (DIC)

- i. Acts as the focal point of the industrialization of the district.
- ii. Prepares the industrial profile of the district with respect to :
- iii. Statistics and information about existing industrial units in the district in the large, Medium, small as well as co-operative sectors.
- iv. Opportunity guidance to entrepreneurs.
- v. Compilation of information about local sources of raw materials and their availability.
- vi. Manpower assessment with respect to skilled, semi-skilled workers.

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- vii. Assessment of availability of infrastructure facilities like quality testing, research and development, transport, prototype development, warehouse etc.
- viii. Organizes entrepreneurship development training programs.
- ix. Provides information about various government schemes, subsidies, grants and assistance available from the other corporations set up for promotion of industries.
- x. Gives SSI registration.
- xi. Prepares techno-economic feasibility report.
- xii. Advices the entrepreneurs on investments.
- xiii. Acts as a link between the entrepreneurs and the lead bank of the district.
- xiv. Implements government sponsored schemes for educated unemployed people like PMRY scheme, Jawahar Rojgar Yojana, etc.
- xv. Helps entrepreneurs in obtaining licenses from the Electricity Board, Water Supply Board, No Objection Certificates etc.
- xvi. Assist the entrepreneur to procure imported machinery and raw materials.
- xvii. Organizes marketing outlets in liaison with other government agencies.

The concept of District Industries Center came during the year 1977, when Government of India announced the new Industrial policy on 23.12.1977. It laid special stress on the development of Small Scale, Village and Cottage Industries and indicated that the "District Industries Centre" would be the main focus agency for promotion of small scale, village and

cottage industries. In each district, one agency was created to deal with all requirements of small and village industries.

ADMINISTRATION

Joint Director is the head of the District Industries Centre. The post of Joint Director is of the rank of Special Deputy Commissioner (Revenue). The Joint Director is assisted by Deputy Director/ Assistant Director, Industrial Promotion Officer and Industrial Extension Officer at taluk level.

Monitoring of DICs

The functions and activities are monitored by the Directorate of Industries and Commerce.

FUNCTIONS

Linkage with Research Institutes like CMERI/CGCRI/NML/CFTRI etc. for gradation and innovation technology up Financial Assistance for modernization of Unit.

1. Skill development training through own workshop/ organisation like SISI, PDTC/ Coir Board/ETDC.
2. Managerial capability improvement through training, workshop, seminars.
3. Export assistance.

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4. In plant study of their SSI Units.

5. Standardization of products.

Sick unit Revitalization.

National level awards for innovative products/ outstanding growth/ exports etc.

Promotion of products under Non-conventional Energy Sources.

Assistance under Coir development Schemes.

Registration of Industrial Co-operative and financial assistance to them.

Pollution control.

Assistance under schemes promoted by W.B.Minority Dev. Finance Corporation/

KVI

Commission/ Board and such other organisations.

Single window assistance through SIDA and District Industries Centers.

BSAI Loan for Cottage Industries.

Design & Product Development for Handicrafts.

Awards to Handicrafts Artisans.

INSTITUTIONAL SUPPORT FOR SMALL-SCALE RURAL PROCESSING

ENTERPRISES: THE CASE OF INDIA.

INTRODUCTION

In India, the latest definition of a small-scale industry (SSI) is any unit with an upper limit on investment (in plant and machinery) of from Rs. 0.20 million to Rs. 0.35 million in the case of SSI and Rs. 0.45 million in the case of ancillary units. What is called the village and small industries (VSI) sector comprises both traditional and modern small industries; it is constituted by eight specific groups viz. Handloom, Handicrafts, Coir, Sericulture, Khadi, Village Industries, Small-Scale Industries and Powerlooms. The last two items constitute the modern group of industries, the others being traditional.

In the economic development of India, a strategic position has been given to the development of village and small industries (VSI) which constitute an important segment of the overall economy. Next to agriculture, the VSI sector provides the greatest employment opportunities, a considerable portion of which is in rural and semi-rural areas. It contributes about fifty percent of the value added in manufacturing.

India's overall policy on all industrial development is contained in the Industrial Policy Resolution of 1956, as amended from time to time. New priorities have been developed as and when required including some designed to reduce the basic handicaps of small-scale industries. The latest of these is the Industrial Policy of July 1980 which aims to harmonise growth in the

small-scale sector with that in the large and medium sectors and to remove the dichotomies between the two sectors.

During the sixth plan period (1979-80 to 1984-85) production in this sector increased from Rs. 335380 million to Rs. 657300 million at current prices and employment from 23.37 million to 31.50 million persons. The latter figure represents nearly 80 percent of the entire industrial employment. Of this total, modern small-scale industries employ 9 million people; next in importance is the handloom subsector which employs about 7.5 million people. During the seventh plan period. The total value of production of the VSI sector is expected to increase by about 52.4 percent and employment by 27 percent to 40.0 million. The seventh plan also lays emphasis on the necessity of providing a new thrust for tiny units having fixed investment of less than Rs. 0.2 million. They form nearly 90 percent of the total number of small-scale industrial enterprises.

INSTITUTIONAL FRAMEWORK

Official Assistance Institutions

For developmental purposes, the entire field of village and small industries has been grouped broadly under six different areas.

Each area comes under the overview of one of the following organizations set up by the Central Government:

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- a) The Small-Scale Industries Board
- b) The Khadi and Village Industries Commission
- c) The All India Handicrafts Board
- d) The Central Silk Board
- e) The Central Coir Board
- f) The All India Handloom Board

The last three have specialist responsibilities reflected in their names. They will not be discussed further in this paper.

The Small-Scale Industries Board is chaired by the Union Minister of Industry with the Development Commissioner for Small-Scale Industries (DCSSI) as its Member Secretary. Other union ministries, state governments, SSI associations, financial institutions, eminent industrialists etc. are represented on the board. As the Secretariat of this board the office of the DCSSI (also known as Small Industries Development Organisation (SIDO)) is the nodal agency for formulating, coordinating and monitoring the policies and programmes for promotion and development of small-scale industries in the country.

Facilities are provided by SIDO through a network of 26 small industries service institutes (SISIs), 20 branch institutes, 40 extension centers, product and process development centres, production centers, field testing stations etc. in areas where specific types of industries are concentrated.

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A range of specialized institutions have been set up for providing assistance to SSIs. These are the National Small Industries Corporation, the National Institute for Entrepreneurship and Small Business Development, the Small Industries Extension Training Institute, Integrated Training Centre, and several centers or institutes on tools design and training.

Operating in parallel to SIDO is the Khadi and Village Industries Commission (KVIC).

Which is a government-financed statutory body responsible for selected types of village industries including Khadi. The national KVIC formulates the broad pattern of development needs of the village industries many of which are in the “tiny” category and are traditional. Similar action is taken by the state level KVI Boards which are jointly funded by the respective State Governments. The KVIC also operates through registered institutions and Cooperative Societies which are directly financed by the KVIC or partly through respective State Governments depending on whether they serve more than one state.

Khadi is traditional Indian cloth which is fully handmade.

AN ESSENTIAL FORM OF TRANSPORT IN COUNTRY DISTRICTS

All-India Handicraft Boards are a third set of national institutions which oversee implementation of small industry programmes. Some states have also set up Handicrafts Development Boards to supplement the activities of the All India Organisations. In areas of concentration of particular handicraft items, Research and Development Centres, Design Centers etc. are established. Small Enterprises' Organisations

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The large number of official assistance institutions at national, state, and lower levels still have problems in reaching their dispersed clientele. Small industries have attempted to facilitate access by grouping themselves into associations. Such associations also provide direct assistance to their members but their most important role is probably that of lobbying for small-industry interests in dealings with the authorities. The most prominent VSI organisations are outlined below.

At the top is the Federation of Associations of Small Industries of India (FASII), established in 1959, whose main aim is to promote the development of small-scale industries. The Federation has set up functional and industry-wise panels at national and regional levels which are consulted by the central and state governments in framing policies and providing assistance to SSI units. Recognised as the national apex body, FASII has been given representation on all committees of the Central Ministries as well as State Governments. The federation has played an important role in changing the definition of small industry, seeking reservation of items for exclusive SSI production and supply and negotiating a host of other concessions to small industries. Membership includes associations at all levels, prominent individual units, and industry-specific associations. Small-Scale Industry Cooperatives have been organised in almost all fields of village and small industries. In the case of many subsectors the progress has not been significant so that there are still under 0.1 million cooperatives. At the national level, a National Federation of Industrial Co-operatives (NFIC) exists which assists in local and overseas promotion and marketing of cooperative products and imports scarce raw materials, components and goods for its members. Societies at state and regional or district levels

and large primary societies are members of the NFIC while the Government of India and the State Trading Corporation are shareholders. The Federation concentrates marketing attention on a few priority products (wood carvings among them).

There is also a National Alliance of Young Entrepreneurs (NAYE) which works to safeguard the interests of young entrepreneurs; it has a special wing for women entrepreneurs. The Alliance is represented in the metropolitan cities and in all states.

Assistance to small industries development

India provides a wide array of assistance programmes to promote small industry development. They can perhaps be conveniently grouped under four headings as follows:

- Assistance in expanding markets (including preference in purchasing by government; support in joint tendering for government purchase contracts; price preference; and reservation of certain product lines or industries for only small-scale manufacturers).
- Supply of essential raw materials.
- Provision (and subsidy on cost) of finance for investment and working capital.
- Provision of technical assistance and other advisory services.

Policy and implementation bodies along all these lines exist at national and state levels and sometimes also lower down. Many forms of assistance are given from the large variety of institutions but an attempt has been made to provide “one window” assistance through District Industries Centres which directly provide all assistance or at least coordinate it.

ASSISTANCE IN EXPANDING MARKETS

Reservation for small industries of certain items is a policy whereby the central government and many national organizations buy exclusively from the SSI sector in order to solve the market difficulties of the SSI units. As at the end of March 1984, 404 items were included in the list for exclusive SSI supply. It gives the list of forest-based products which fall into this group. In addition, there were 12 items to be preferentially procured from SSI units up to 75 percent and 25 items up to 50 percent of total requirements. Central government also offers 15 percent price preference to tenders by SSI; many states offer the same.

Government has also recognised that since individual SSI units are scattered throughout the country and their resources are limited, they find it difficult to participate in government stores purchase programmes even if certain items are reserved for them to supply. It accordingly allows state SSI corporations to tender on behalf of the small-scale units.

Government also reserves certain industries or product lines for exclusive manufacture by the small-scale sector provided that such articles/goods can be produced economically by small enterprises. The total number of items so reserved stood at 126 in 1968 but had reached 872 in 1984. Table 27 gives the list of forest-based products which fall into this group. In the case of other items reserved for production in the SSI sector but not included in the list of items for exclusive or preferential purchase, a 15 percent price preference is given.

The combined effect of the above favorable discrimination in marketing and market opportunities has been to increase the small industry share in government's total indigenous purchases from about 7 percent in 1973/74 to 12 percent by 1983/4.

A facility which mostly aims at expanding small industry markets but also helps in promoting their technological improvement is “ancillarisation”. Under this scheme, a small industry is deliberately created to be or is transformed into being an ancillary of a larger industry on a formal sub-contract basis. The incentives for the large industry include access to cheaper loans, assured raw material supply etc. The programme is run by state level ancillary advisory committees which also plan and provide infrastructural facilities. The Committees include representatives of large industrial units, public sector undertakings, private sector associations of industries, development agencies, financial institutions, and ancillaries themselves. Plant level committees on ancillary development also exist in public sector undertakings and large industrial houses.

SUPPLY OF ESSENTIAL BUT SCARCE RAW MATERIALS

Policy favours imports where they give further impetus to exports and support the growth of indigenous industries. During the period 1982-84, the share of SSI in total value of industrial-input imports averaged 26-28 percent, the rest having gone to larger industries. Out of the licenses issued for the SSI sector in 1983/84, those for raw materials/components accounted for 59 percent by value. Scarce indigenous raw materials are allocated to State Small Industries Corporations (SSICs) at the beginning of each year for distribution to SSIs as needed. This

arrangement enables the SSI units to obtain their requirements on an as and when required basis. The assured supply of scarce raw materials enables SSI units to plan their production programme well in advance.

Provision of subsidized finance

Financial outlays by central and state governments to VSI grew from Rs. 52 million in 1951/56 to Rs. 6161 million in the 1980/85 development plan. The proposed figure for 1985/90 is Rs. 11205 millions. These government financial outlays form a minor portion of the total flow of funds to the SSI sector. Much larger resources are provided by the network of Commercial Banks, Cooperative Banks and Regional Rural Banks, State Financial Corporations, State Industrial Development Corporations, and the National Small Industries Corporation.

There has been consistent growth in the availability of credit facilities extended by Commercial Banks. During the 5-year period of 1979/83 the annual disbursement had nearly doubled in volume to Rs. 50506 million lent to 1.23 million enterprises. Such loans are covered by the Industrial Development Bank of India (IDBI) under its refinance scheme. All loans up to Rs. 0.5 million are covered by the automatic refinance scheme at the concessional rate of interest.

State Finance Corporations also lend to the VSI sector (also eligible for refinance by IDBI at concessional rate of interest). The IDBI itself lends heavily to SSI: the total assistance provided by it to the VSI sector up to March, 1986 was Rs. 52850 million. Its annual financing

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has doubled between 1979/80 and to 1982/83 when it reached Rs. 2902 millions, which included refinancing of advances made by other institutions.

The interest rate charged by IDBI for refinance differs for various purposes. It is as low as 6 percent in specified backward areas but range between 8.25 and 9.58 percent in non-backward areas.

The IDBI is the apex financial institution providing assistance to industries of all types and sizes. The SSI sector's share in IDBI disbursements has increased from nearly 16 percent during 1970/75 to about 31 percent in 1980/85 and IDBI has now established a separate Rs. 25 billion fund called "Small Industries Fund" to take over the bank's own existing and future assistance to SSIs. This new fund is expected to pay particular attention to "micro" industries.

In order to ensure that financial institutions do lend to small-scale industries, the Reserve Bank of India requires all Commercial Banks and other financing institutions to ensure that at least 12.5 percent of the total credit advances is reserved for weaker sections like rural artisans, village craftsmen, or cottage industries.

Some specialization exists in types of lending: the commercial banks provide the bulk of short-term advances to SSI units and the state finance corporations provide long-term loans. Both types of finance are made available at relatively low rates of interest for the SSI sector, the present schedule being as under:

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| Type of loan (%) | Rate of interest |
|------------------|------------------|
|------------------|------------------|

Composite loans up to Rs. 25,000

| | |
|-------------------|------|
| i) Backward areas | 10.0 |
|-------------------|------|

| | |
|-----------------|------|
| ii) Other areas | 12.0 |
|-----------------|------|

Short-term advances

| | |
|--------------------------|------|
| i) Up to Rs. 0.2 million | 14.0 |
|--------------------------|------|

| | |
|---|------|
| ii) Over Rs. 0.2 million to Rs. 2.5 million | 16.5 |
|---|------|

| | |
|----------------------------|------|
| iii) Above Rs. 2.5 million | 18.0 |
|----------------------------|------|

Term loans

| | |
|-------------------|------|
| i) Backward areas | 12.5 |
|-------------------|------|

| | |
|-----------------|------|
| ii) Other areas | 13.5 |
|-----------------|------|

The financing referred to so far is available for a wide range of purposes. Additional specific modes of financing are adopted to cover purchase of machinery and to encourage growth of VSI into the medium-scale sector: these include a bills rediscounting scheme; provision of seed capital; interest-free sales tax loans; national small industries corporation hire-purchase; and state investment subsidies.

The bills rediscount scheme is operated by the Industrial Development Bank of India which covers bills/promisory notes arising out of sales of indigenous machinery on a deferred payment basis. Bills/Promisory notes drawn in favour of or by the machinery manufacturers are in the first instance discounted by them with their banks which in turn rediscount these bills with the IDBI at concessional interest rates of from 9 to 10.25 percent.

IN INDIA, TREE PLANTING CLOSE TO SSE'S ALSO RECEIVES OFFICIAL SUPPORT

Seed capital is provided by the government for technically or professionally qualified or skilled SSI entrepreneurs who want to expand to medium scale. The seed capital is an interest-free equity loan carrying a service charge of one percent p.a. and an initial moratorium of up to 5 years.

Small enterprises expanding into medium scale units are also eligible to get an interest-free sales tax loan equivalent to the sales tax paid by them for a period of 3 years prior to proposed expansion. This loan is repayable in three equal annual instalments after a moratorium of six years.

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The National Small Industries Corporation enables the SSI sector to obtain local or imported machinery and equipment through its long-term hire purchase scheme. The SSI generally deposits 10 percent of the value of the machinery and this outlay is eligible for refinance from IDBI at concessional rates of interest.

Finally, the government encourages rural fixed investment by paying a 15 percent subsidy or Rs. 1.5 million (whichever is less) for SSI units set up in notified backward areas and new industrial complexes in selected places. Some State Governments also pay subsidies of varying generosity to selected priority categories of industries set up in areas not covered by Central or State level subsidy schemes.

It is clear from the foregoing information on finance that many incentives are provided. In order to control the direction of industrialization, the incentives are sometimes made selective in nature when the government feels that (a) a subsector is overcrowded (b) the activities are not essential and socially beneficial in nature or (c) attraction of private initiative is high even without incentives due to the industry's potential profit earning capacity. Precaution is also taken to ensure that the entrepreneur has sustained and continued stake and interest in the project. The entrepreneur is therefore required to make a minimum contribution which ranges from 15 percent for “technocrat entrepreneurs” and for all backward areas, to 20 percent in other cases.

To reduce waste of resources, government also insists that the financing institution make a detailed technical and financial appraisal of the project before sanctioning assistance. In order to ensure prompt repayment, a penalty of 5 percent per annum is levied on the defaulted portion

of loans. There is also a commitment charge of one percent payable by the entrepreneur (0.5 percent in backward areas). Banks retain first claim on fixed assets created from their loans.

PROVISION OF TECHNICAL ASSISTANCE AND GENERAL ADVISORY SERVICES

A systematic review undertaken during the mid-seventies revealed that the benefits of the SSI programme were, by and large, limited to those situated in urban and semi-urban areas and were used mainly by modern mechanized SSI units. It was therefore decided to create District Industries Centers as focal points for industrial development in every district of the country. The functions of these District Centers (whose costs are shared equally by central and state governments) are: to coordinate promotion of small, tiny, village and cottage industries; to provide all services and support at pre-investment, investment and post-investment stages to the decentralized industries sector under a single roof; to provide incentives for industrial units to be set up in rural areas which will mainly supply local markets and use local raw materials and skills.

Each district centre can have functional managers for Economic Investigation, Credit, Village Industries, Raw Materials, Marketing, Training Information, Infrastructure etc. depending on the local need. Technical assistance in each field is obtained from the nearest Small Industries Service Institute.

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The vital aspect of this programme is the “single window concept” and delegation of powers to the local level in respect of administrative, financial, and external trade matters.

It is now reported that the District Industries Centers (which are spread over the entire country), have not fulfilled all their tasks. It appears that they need to be strengthened and given adequate inputs for establishing small units in rural areas.

A second thrust of assistance is entrepreneurial development. This started in the 1960s with training of unemployed but technically qualified engineers. Subsequently the scheme was expanded to cover different types of entrepreneurs such as (a) agriculturists who had sufficient capital but did not know investment channels, and (b) merchants who desired to also manufacture their own goods.

Funding for entrepreneurial development training is given to small industries service institutes, the National Small Industries Corporation, State Directorates of Industries and technical colleges. A National Institute for Entrepreneurship and Small Business Development was established in 1983 with responsibility for training programmes for motivators, trainers and entrepreneurs themselves and for research and development in entrepreneurship and small business management. In due course, regional and state level training institutes are to be established.

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A new scheme for unemployed rural youths to be converted into entrepreneurs has now been started. It is implemented by District Industry Centers. Once they “graduate,” youths obtain a bank loan which attracts a capital subsidy of 25 percent payable by the Government to the lending bank at between 10-12 percent p.a. interests. Tiny and artisanal units will form the bulk of the clientele.

Industrial estates are a third line of assistance. By grouping SSI units, the programmers enables development authorities to establish common service centers and facilitates the dissemination of modern production techniques. In several industrial estates, economies have been achieved through collective purchase of raw materials and other collaboration. Within the industrial estates occupants of factory sheds are helped to own them through easy hire-purchase terms. There are also concessional charges for transport, water and power; temporary exemption is authorized from sales-tax and duties on specified goods and services for certain categories of industries.

Special assistance is provided to encourage location of industry in backward areas. The special loan interest rates have been mentioned earlier but other incentives include preferential treatment in the grant of industrial licences and outright subsidy on fixed capital investment. More than half the districts in the country are considered backward and therefore eligible for concessional finance of which 101 are entitled to even greater subsidies than the rest.

To differentiate by degree of backwardness, the industrially backward areas have now been categorised into three strata which attract subsidies ranging from 10 to 25 percent. The new format has been so successful that in certain areas some of the concessions have had to be withdrawn so as to avoid overcrowding of industrial units.

SOME REMOTE AREAS NEED THIS METHOD OF LOGGING FOREST-BASED SMALL-SCALE MANUFACTURING

Among the village industries scheduled for development by KVIC are the following forest based industries: collection of forest plants and herbs for (mostly medicinal purposes); cane and bamboo processing; gums and resins; khattha manufacturing; and shellac industry. These industries utilise minor forest produce which are under the control of State Forest Departments.

The Khadi and Village Industries Commission (KVIC) helps individual entrepreneurs directly or through State Departments/agencies. However, in the absence of assured and sustained raw material supply and a regular and profitable market for the collectors, these industries may have created much employment but have generated little additional income. The technologies required to make these industries more successful are still to be propagated extensively amongst the tribals who are the main beneficiaries.

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With regard to collection of forest plants and herbs a very large proportion of the plants is found in temperate regions and at high altitudes in the Himalayan and sub-Himalayan ranges and scattered in other hilly tracts in Assam, Kerala etc. The traditional established pattern of collection by tribesmen continues; produce reaches the dealers in towns and villages through middlemen who have regular dealings with the tribal people, lend them money, purchase their forest produce and supply them with other goods, often by barter.

There has been indiscriminate exploitation of both the resources and the tribesmen in the past. Space distribution, difficulty of access to and high cost of transport to reach the natural habitat of the plants, extermination of the rare plants, and incorrect identification of the genuine plants are among difficulties faced in this industry. It is in this context that the Khadi and Village Industry Commission and other agencies moved to organize the tribal's into cooperatives which can obtain benefits directly for their members instead of through middlemen.

The cane and bamboo industry is widespread in India since the raw materials occur everywhere and are associated with many aspects of rural activity. The availability of canes in India is meager compared to its requirements. The chief uses are for making furniture, baskets, handles for umbrellas, and mats. Industries based on gums and resins, and hath (a medicinal extract of Khair tree heartwood) are relatively minor relative to cane/bamboo and collection of herbs. Shellac, which employs over a million people, is more prominent.

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With regard to wood processing, there are nearly 8 000 units producing wood products in the small-scale sector employing 0.29 million persons or about 1 percent of the SSI employment total. The average employment per unit works out to 4.2 persons compared to the SSI sector average of 6 persons. The average investment in plant and machinery for a woodworking unit is Rs. 19 184 which is only 40 percent of the average for the whole SSI sector. The much smaller size of enterprises in the forest-based sector suggests that of the existing assistance programmes, the most relevant in many cases will be those designed for “tiny” units.

The location of many residual forest resources in relatively isolated localities also suggests that many forest-based SSI may have “backward area” status and so attract the additional support this status entitles them to.

It is interesting to note the position occupied by the sub-group “wood products” in SSI sector. Table 25 shows the all-India proportions in terms of number of units, employment and investment for 1983; it shows that wood products accounted for 9 percent of SSI enterprises, 6.7 percent of the labour force and 5.7 percent of investment.

Many forest-based SSI enterprises would be entitled to the extra privileges and assistance to “tiny” units since they tend to have only up to Rs. 0.2 million investment in machinery and equipment.

NATIONAL SMALL INDUSTRIES CORPORATION (NSIC)

There are number of ways in which we help small business. We help them get assistance from the Credit Guarantee Trust Fund, if banks have been reluctant to lend them money. Small businesses can become suppliers to Government departments through the single point registration scheme that we run. Under this scheme, SMEs are exempted from payment of tender costs, earnest money and waiver of security deposit upto the monetary limit for which the unit is registered with NSIC. We have entered into Memorandum of Understanding (MoU) with various nationalized and private sector banks. Through syndication with these banks, NSIC arranges for credit support from banks without any cost to MSMEs. We also provide assistance for marketing, raw material procurement and are in the process of developing an e-commerce portal called msmemart.co.in, which will be an e-marketing portal that can be used by both B2B and B2C businesses to reach their customers. You have to pay an annual charge of Rs 5,000 and we will give you space to put up information about your products and services. You can put your conditions, prices, decide delivery schedules and so on. The website will cater to both domestic and international businesses that operate in the MSME space.

One of the things I am very proud of is the incubator centre that NSIC runs. Our incubator centre is very different from those run by IITs. Here it is not just ideas that get incubated, but this is a centre which provides a completely simulated environment for running a business. Exposure is given in all areas of business operations such as business skills development, identification of appropriate technology, hands on experience on working projects, project / product selection,

opportunity guidance including commercial aspects of business. Low cost project technologies required for setting up new small business enterprises are also displayed in working condition. Budding entrepreneurs can enroll for a three-month course that we provide at the incubation centre and get to experience live the mechanics of running a business. At the end of the course everyone gets a course completion certificate that can be used by entrepreneurs to avail various benefits. It entitles them to benefits like getting a loan, etc. that I mentioned earlier. Anyone can enroll for this course; even school and college dropouts can join the course.

SMALL INDUSTRIES DEVELOPMENT ORGANIZATION (SIDO)

The Small Industries Development Organization (SIDO) is the national SME Development Agency of India. It is a major constituent of the Ministry of Small Scale Industries of the Government of India. A senior official of the Government of India, who is designated as the Development Commissioner for Small Scale Industries (DCSSI), heads SIDO. He is also the ex-officio Additional Secretary in the Ministry of Small Scale Industries; that is, he is second in command in the bureaucratic hierarchy of the Ministry. Set up in 1954, SIDO provides services to small industry throughout the country by implementing a broad program of activities and services including the following:

Entrepreneurship Development

Tool Room Services

Testing Centres

Extension Services

R&D Services

Consultancy Services

Policy Development

The strength of SIDO lies in its countrywide spread of almost 100 offices/service centres, which employ over 2500 staff, mostly technical.

SIDO partners and networks with other national providers of support and financial services to SMEs such as the Small Industries Development Bank of India (SIDBI), the National Small Industries Corporation (NSIC), the Bureau of Indian Standards (BIS), the Reserve Bank of India (RBI) (India's Central Bank) and relevant agencies of the Governments of the 28 States of the country.

The Government of India essentially funds SIDO but, of late, some its activities (such as Tool Rooms, Testing Centres and Consultancy Services) are becoming increasingly self-sustaining.

INTELLECTUAL PROPERTY RIGHTS (IPRS) AND SIDO

By the late 1990s, when IP related issues were becoming important for Indian industry, SIDO decided that educating and enabling the SMEs in the country to take best advantage of the IP system should be one of its key priorities. In 2000, an IPR Cell was set up at SIDO. SIDO was fortunate to have already on its rolls an officer who, till some years ago, had been a patent examiner at the National Patent Office of India. He became the pivot of the IPR Cell. The Cell was lean, with two part time officers, one full time officer and secretarial assistance. The part time officers continued to have other responsibilities but these were somewhat reduced. The primary task of the IPR Cell was disseminating information on IPRs amongst SMEs with a view to enable them to get a better understanding of how IPRs impact upon business strategy and success in the marketplace. Within this broad mandate, the Cell was required to evolve its own mode of working.

FUTURE STRATEGY

SIDO will continue to organize general and industry specific workshops on IPRs, as in a country of India's size, 25 workshops are completely inadequate. The industry specific workshops will tend to be in or near corresponding industry clusters. In cooperation with the SMEs Division of WIPO, action has been initiated (in September 2003) for customizing WIPO's Guide on Trademarks for SMEs ("Making a Mark") , based on Indian trademark law, practice, and illustrations/examples. On the anvil are workshops of 'training of trainers so that in each of its offices, SIDO is able to position at least one officer who is IP savvy. This is likely to be a

residential program of one-week duration involving master trainers from WIPO, SIDO's resource person and external faculty such as IP attorneys and University Professors of IPRs in India. A national workshop on issues of IP evaluation and valuation, acceptance of IP as collateral and financing the creation of IP assets is also envisaged in early 2004.

SIDO's endeavor for creating IPR awareness is part of a larger plan for the internationalization and enhancing the competitiveness of Indian SMEs in a globalizing marketplace. Other elements of this plan include upgrading technology, superior infrastructure, adoption of quality systems, marketing support and credit facilitation.

SMALL INDUSTRIES SERVICE INSTITUTES

At the heart of all agencies dealing with development of small industry is small industries development organization, SIDO. It was originally known as central small industries organization (CSIO). Attached to the ministry, SIDO administers small industries service institute (SISI's).

The small industries service institutes (SISI's) are set-up one in each state to provide consultancy and training to small and prospective entrepreneurs. The activities of SISs are co-ordinate by the industrial management training division of the DC, SSI office (New Delhi). In all there are 28 SISI's and 30 Branch SISI's set up in state capitals and other places all over the country.

SISI has wide spectrum of technological, management and administrative tasks to perform.

FUNCTIONS OF SISI

1. To assist existing and prospective entrepreneurs through technical and managerial counselling such as help in selecting the appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc;
2. Conducting EDPs all over the country;
3. To advise the Central and State governments on policy matters relating to small industry development;
4. To assist in testing of raw materials and products of SSIs, their inspection and quality control;
5. To provide market information to the SISI's;
6. To recommend SSI's for financial assistance from financial institutions;
7. To enlist entrepreneurs for participation in Government stores purchase programme;
8. Conduct economic and technical surveys and prepare techno-economic feasible reports for selected areas and industries.
9. Identify the potential for ancillary development through sub-contract exchanges;
10. Organize seminars, Workshops and Industries Clinics for the benefit of entrepreneurs.

The Small Industries Service Institutes have been generally organizing the following types of EDPs on specialized courses for different target groups like energy conservation, pollution control, Technology up-gradation, Quality improvement, Material handling, Management technique etc. as mentioned earlier.

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General EDP for educated unemployed youth, ex-service personnel etc. for a duration of four weeks. In these programmes, classroom lectures and discussions are held on issues such as facilities and assistance available from State and Central government agencies, banks, financial institutions and National Small Industries Corporation.

Apart from this, exposure is given information regarding market survey, product identification and selection, technologies involved, management of small enterprises, particularly in matters relating to financial management, marketing, packaging and exports.

The participants also interact with successful small scale entrepreneurs as a part of their experience sharing. Information of quality; possibilities of diversification and expansion are also given.

The entrepreneurs are helped to prepare Project Reports based on their own observations and studies for obtaining financial assistance as may be required. Such courses have benefited many entrepreneurs to set up units of their own choice.

INDIAN INVESTMENT CENTRE

"Indian Investment Centre" Indian Investment centre company is built on the strength of our client relationships. We have been providing real estate investment service nationally to Institutional clients, NRI's and Indian individuals for more than 5 years. IIC's staff of more than 40 seasoned real estate investment professionals is focused on understanding and meeting our clients needs. Our personal approach and extensive product offerings ensures we serve our

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clients' needs over the long term. We have NRI's, Indians individual, business and institutional clients and manage investors properties in different cities.

Management Graduate with 16 year of rich experience in Investment Banking, Telecom & Real estate. Today, Siddharth represents the vibrant young entrepreneur of India. His dream is creation of world-class real estate advisory services to attract unprecedented levels of foreign and domestic investment inflows, generating new employment opportunities and changing lifestyles.

KHADI AND VILLAGE INDUSTRIES COMMISSION

The **Khadi and Village Industries Commission** (KVIC) is a statutory body formed by the Government of India, under the Act of Parliament, 'Khadi and Village Industries Commission Act of 1956'. It is an apex organization under the Ministry of Micro, Small and Medium Enterprises, with regard to khadi and village industries within India, which seeks to - "plan, promote, facilitate, organise and assist in the establishment and development of khadi and village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary."

In April 1957, it took over the work of former All India Khadi and Village Industries Board. The First Director of KVIC was Late Sardar KA Venkataramaiya, a veteran freedom fighter from Karnataka. Its head office is based in Mumbai, with its six zonal offices

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in Delhi, Bhopal, Bangalore, Kolkata, Mumbai and Guwahati. Other than its zonal offices, it has offices in 29 states for the implementation of its various programs.



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DEPARTMENT OF COMMERCE

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VI SEMESTER

PART - B

POSSIBLE QUESTIONS

1. Define the term DIC
2. What is meant by SIDO?
3. What are the functions of SISI?
4. Give the meaning of SIDCO
5. Write a short note on KVIC.
6. List out the functions of Commercial Bank.

PART - C

POSSIBLE QUESTIONS

1. Determine the role played by DIC in promoting industries.
2. Briefly explain the functions of NSIC in promoting entrepreneurship.
3. Describe the institutional setup for entrepreneurial development in India.
4. How does Indian Investment Centre promote entrepreneurship?
5. Describe the procedure for the appraisal of Term Loans by Commercial Banks.
6. Describe the distinct and sequential stages of project formulation.
7. Determine the Planning omission guidelines for project formulation reports of industrial projects.
8. Elaborate the Financial Institutions involved in extending financial assistance to entrepreneurs?
9. Describe the various functions and services of SIDBI.
10. Elaborate the various functions and organizational set up of SIDO

| Question | Option 1 |
|---|---|
| Which of the following challenges cannot be addressed by social innovation? | Millions of children dying from vaccine-preventable diseases |
| In social innovation, which element is most likely to come first? | Develop the financial model |
| Social enterprises are socially driven organizations that apply market-based strategies to achieve a social purpose, often referred to as the triple bottom line. What does the "triple bottom line" stand for? | People, planet, profit |
| Among the choices below, the most appropriate definition for a “social entrepreneur” is | An entrepreneur with a very outgoing personality. |
| . Successful social entrepreneurs have ideas and solutions that: | Tackle major social issues |
| Among the choices given below, which is the best reason that describes why a multinational company would engage in social innovation: | To raise their profits. |
| If you are the owner and manager of a social enterprise you would be able to: | Work for free |
| Some of the skills a social entrepreneur needs in order to succeed are | Willing to take risk |
| Environmental sustainability is | Non renewable resource |
| Which of the following examples below is an example of an environmental social innovation? | Providing access to clean drinking water |
| Which of the following statements is true? | A carbon footprint is defined as the total set of greenhouse gas (GHG) emissions caused by an organization, event, product or person. |

| | |
|---|---|
| A social business is a | Company that pays dividends to its shareholders |
| Which of the following statements is CORRECT when talking about a social enterprise? | Usually it is not financially sustainable |
| Please indicate which of following statements is MOST LIKELY correct. Social Entrepreneur | Is a good team member |
| An organization that uses profit to achieve its goals instead of distributing it to shareholders is... | A profit organization |
| Health education programs for preventing communicable diseases. This is a Solution to a | Social Challenge |
| If an organisation charges a fee for its products or services then they can be considered as | Social Service |
| A new activities and services that are motivated by the goal of meeting a social need, addressing challenges and problems in the society such as in education, health, employment or the environment are known as | Technovision |
| Innovative use of technology in the sectors, including education, health, entrepreneurship, and the environment is capable of achieving_____ | Sustantial Social Impact |
| Which of the following applications or uses of ICTs are examples of social innovations? | Lakshmi Machine Works |
| By definition, a for-profit enterprise cannot be considered a socially-innovative enterprise. | Partly True |
| An innovation motivated by profit maximization is | Global innovation |
| An innovation motivated by the goal of meeting a social need is | Global innovation |
| Which is the most important skill for a social entrepreneur | Arrogance |
| Which skill is NOT required for a social entrepreneur | ICT Skills |
| A recycling project for old electronics. This is an example of | Environmental social innovation |
| Social innovation can be promoted and achieved through public private partnerships. | TRUE |
| Which of the following statements is False? | A carbon footprint is defined as the total set of greenhouse gas (GHG) emissions caused by an organization, event, product or person. |

| | |
|--|--|
| Identify which of the educational activities below cannot bring social innovation in education | Training teachers on how to teach core subjects such as science and math |
| A plan to eradicate illiteracy and poverty in India by providing educational services to low-income children. This is an example for | Social Innovation |
| Which is NOT an example of Social Entrepreneurship | Grameen Bank |
| Grameen Bank was initiated in which country? | India |
| A Social Enterprise operates as a business | TRUE |
| Surplus monies from the business are reinvested in the business or community. | TRUE |
| _____ can be defined as the determination of long term goals and objectives of an enterprise | Strategy |
| SWOT analysis may be of greatest value when it is used to: | Promote strengths and reduce weaknesses |
| In Goal setting, What R stand for in a SMART Objective | Representative |
| Which is NOT part of the Business Strategy | Vision |
| Which is NOT a Scaling up Process | Build Collaborations |
| The Search for Repeatable and Scalable business Model | Startup |
| Exponential Growth and Market Development | Startup |
| A development-stage business, specific to high-technology markets, that is looking to grow in terms of market access, revenues, and number of employees, adding value by identifying and realizing win-win opportunities for collaboration with established companies is called as _____ | Startup |
| The risk of Social Entrepreneurship funding is | Very High |
| Social Entrepreneurs should evaluate _____ | Financial Risk only |
| To Make the potential of a Risk a reality the social entrepreneur has to | evaluate potential reward and position their own resources effectively |
| The financing risk for traditional funding and social entrepreneurship funding are | same |
| Understanding the high risk involved why do investors opt for social entrepreneurship | Potential Impact |
| Investors on Social entrepreneurship DOESNOT have the following | Stay Ahead of the Curve |
| When Compared with traditional entrepreneurs, the performance indicators of social entrepreneurs are | Simple |
| Is Social Entrepreneurship sustainable | Yes |

| | |
|--|--------------------------------------|
| Social Entrepreneurship is | Revenue only |
| Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created. This is a Phenomenon of | Social Entrepreneur |
| The biggest threat for a Social entrepreneur is | Responsibility |
| For sustainability of a social enterprise the investors should | be integral part of the organisation |
| The ability to maintain at a certain level | Sustainability |
| The Social Entrepreneurs largely depend upon | Full time employees |
| One among the common aspect that causes business failure in social entrepreneurship is due to non clarity in | Mission |
| Retaining a voluteer is | not a problem at all |
| Communication with the donors is | not essential |
| Social entrepreneurs about the environment | hates |

| Option 2 | Option 3 | Option 4 | Option 5 | Option 6 |
|--|--|--|----------|----------|
| One billion people live in extreme poverty | Low attendance of girls in school | Bugs of a computer program | | |
| Understand the barriers to success | Identify the social challenge or problem | Devise and validate a workable solution | | |
| Price, place, promotion | People, planet, price | Profit, expenses, donation | | |
| Someone who develops an innovative answer to a social problem | An entrepreneur that depends on social media such as Facebook or Twitter to advertise his product or service | An entrepreneur that works with other business partners. | | |
| Do Non Ethical issues | Non-userfriendly | Random Problems | | |
| To meet both business and social goals in communities and/or markets. | To clean up the environmental damage they have caused. | To appease stakeholders they have upset. | | |
| Work for free and expect your staff to volunteer too | Have the flexibility to earn and pay salaries to your staff. | Do Social Service | | |
| Never Negotiate | No need to write business plan | Innovation is not primary | | |
| Development that meets the needs of the present without compromising the ability of future generations to meet their own needs | Not part of UN Millenium Development Goals | None of the above | | |
| Deforestation | Msand | Cell Towers | | |
| There is no restriction on Carbon emission | Carbon di oxide is not a Green House gas | Deforestation is the order of the day | | |

| | | | | |
|---|---|---|--|--|
| Company that focuses only on short-term profit | Non-dividend company with a short life-cycle | Non-dividend company with the objective of solving a social problem | | |
| Employees are not payed, they work with volunteering contracts | A social business can't expand its activities to other countries | Although the social business is pioneering in its social goals, it is traditional in its management | | |
| Has a high position in the hierarchy of a company | Is focused on generating great profits for the shareholders | Is an agent for change: a front-runner for social change in society | | |
| A public organization | A social business | A Social Service | | |
| Medical Treatment | Techo problem | Electromagnetic problem | | |
| Non-Profit Organisation | Non-sustainable business | Nuisance | | |
| Social Innovation | Netpreneur | Cultural Entrepreneurship | | |
| Global Warming | Cultural Change | Nothing | | |
| Indian Oil Corporation | Twitter | India Post | | |
| TRUE | Not Sure | FALSE | | |
| Social innovation | Business Innovation | Not an innovation at all | | |
| Social innovation | Business Innovation | Not an innovation at all | | |
| Empathy | Aggresion | Lethargic | | |
| Marketing Skills | Financial skills | Arrogance | | |
| creativity | Design Project | Electronics | | |
| FALSE | Neutral | Not sure | | |
| Carbon offsetting projects, such as solar or wind energy or reforestation, can be developed to reduce our carbon footprint. | Carbon dioxide and water vapour are examples of greenhouse gases. | Social Entrepreneurs never generate revenue | | |

| | | | | |
|--|--|---|--|--|
| Delivering lessons to students in the classroom and at home | Restricting students to collaborate with students of other locations | Measuring and assessing learning outcomes of students | | |
| Technical Innovation | Technological Innovation | Business Innovation | | |
| Amul | Aravind Eye Hospital | Reliance Industries Ltd. | | |
| Bangladesh | Pakistan | Sri Lanka | | |
| FALSE | Partly False | Neutral | | |
| FALSE | No Clarity | Neutral | | |
| Business Level | Tactics | Strategic Dimension | | |
| Formulate future strategies in addition to analysing the current situation | Minimise threats and maximize opportunities | it is too vague to be of any real use | | |
| Responsible | Relevant | Rejuvenating | | |
| Mission | Objective | Culture | | |
| Commit to Grow | Identify Core Competency | Stay within your limits | | |
| Scaleup | Shutup | Shootup | | |
| Scaleup | Shutup | Shootup | | |
| Scaleup | Shutup | Shootup | | |
| Low | No Risk at all | Moderately low | | |
| Market Risk only | Managerial Risk only | Risks in all forms | | |
| borrow high interest loans from third party | drop the idea of entrepreneurship | look for heavy investments | | |
| Different | Common | irrelevant | | |
| High Profit | Making loss is a habit | No Idea about the project | | |
| Continued Growth | Social Impact | Risk | | |
| Complex | Clumsy | Explicit | | |
| NO | Impossible | Chanceless | | |

| | | | | |
|---------------------------------|-------------------------------|-----------------------------|--|--|
| Impact Only | Revenue + Impact | No Revenue only Impact | | |
| Traditional Entrepreneur | Intrapreneur | Economist | | |
| Sustainability | Copability | Capacity | | |
| never care about their money | loose interest in business | worry about the business | | |
| Scalability | Capacity | Utility | | |
| Highly paid Professionals | Volunteers | Bonded Labourers | | |
| Probation | Ambition | Installation | | |
| a concern | very easy | simple | | |
| extremely important | not possible | of no use | | |
| forgets | cares | hears | | |

| Answer |
|---|
| Bugs of a computer program |
| Identify the social challenge or problem |
| People, planet, profit |
| Someone who develops an innovative answer to a social problem |
| Tackle major social issues |
| To meet both business and social goals in communities and/or markets. |
| Have the flexibility to earn and pay salaries to your staff. |
| Willing to take risk |
| Development that meets the needs of the present without compromising the ability of future generations to meet their own needs |
| Providing access to clean drinking water |
| A carbon footprint is defined as the total set of greenhouse gas (GHG) emissions caused by an organization, event, product or person. |

| |
|---|
| Non-dividend company with the objective of solving a social problem |
| Although the social business is pioneering in its social goals, it is traditional in its management |
| Is an agent for change: a front-runner for social change in society |
| A social business |
| Social Challenge |
| Non-Profit Organisation |
| Social Innovation |
| Sustantial Social Impact |
| Twitter |
| FALSE |
| Business Innovation |
| Social innovation |
| Empathy |
| Arrogance |
| Environmental social innovation |
| TRUE |
| Social Entrepreneurs never generate revenue |

| |
|--|
| Restricting students to collaborate with students of other locations |
| Social Innovation |
| Reliance Industries Ltd. |
| Bangladesh |
| TRUE |
| TRUE |
| Strategy |
| Formulate future strategies in addition to analysing the current situation |
| Relevant |
| Culture |
| Stay within your limits |
| Startup |
| Scaleup |
| Scaleup |
| Very High |
| Risks in all forms |
| evaluate potential reward and position their own resources effectively |
| Different |
| Potential Impact |
| Continued Growth |
| Complex |
| Yes |

| |
|--------------------------------------|
| Revenue + Impact |
| Social Entrepreneur |
| Sustainability |
| be integral part of the organisation |
| Sustainability |
| Volunteers |
| Mission |
| a concern |
| extremely important |
| cares |

UNIT-IV – INSTITUTIONAL FINANCE TO ENTREPRENEURS

| |
|--|
| <p>Institutional Finance to Entrepreneurs - IFCI - SFC - IDBI - ICICI - THIC - SIDCS - LIC and GIC - UTI - SIPCOT - SIDBI - Commercial Bank - Venture Capital.</p> |
|--|

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

SIDBI acts as apex institution for financing SSIs through various credit schemes. In a developing country like India, Small Scale Industries play a significant role in economic development of the country. They are a vital segment of Indian economy in terms of their contribution towards country's industrial production, exports, employment and creation of an entrepreneurial base. These industries by and large represent a stage in economic transition from traditional to modern technology.

Small industry plays a very important role in widening the base of entrepreneurship. The development of small industries offers an easy and effective means of achieving broad based ownership of industry, the diffusion of enterprise and initiative in the industrial field.

Given their importance, the Government policy framework right from the First plan has highlighted the need for the development of SSI sector keeping in view its strategic importance in the overall economic development of India. Accordingly, the policy support from the Government towards Small Scale Industries has tended to be conducive and favorable to the development of small entrepreneurial class. Government accords the highest preference to development of SSI by framing and implementing suitable policies and promotional schemes.

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UNIT IV

SEMESTER: VI

BATCH : 2016 -2018

The most important promotional policy of the Government for the SSI's is fiscal incentives in the form of tax concessions and exemptions of direct or indirect taxes leviable on production or profits.

With effect from financial year 2005-06,SSIs can claim deductions in respect of profits and gains(under section 80IB of Income tax Act) at the following rates:-

If SSI unit is owned by a company, the deduction available is 30% for first 10 years. If SSI unit is owned by a co-operative society, the deduction available is 25% for first 10 years. If any other person owns SSI unit, the deduction to be claimed is 25% for first 10 years.

SSI UNIT CAN AVAIL THIS TAX EXEMPTION AFTER FULFILLING FOLLOWING CONDITIONS:

They should not be subsidiary of, or owned or controlled by other industrial undertakings.

They should not be formed as a result of splitting up or reconstruction of any industrial undertaking/business. SSI units can manufacture any nature or type of goods, which they are permitted to do so. They should have commenced business between 1st April 1991 and 31st March 2002. They should employ at least 10 workers in a manufacturing process carried out with aid of power or at least 20 workers without aid of power.

This tax exemption from total income is allowed from the assessment year in which the unit begins to manufacture goods. Small Scale Industries are subjected to excise duties under the Central Excise Tariff Act,1985 (5 of 1986). The eligibility for excise concessions for SSIs has been based on annual turnover rather than SSI registration.

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UNIT IV

SEMESTER: VI

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SSI units having turnover less than Rs. 4 crores are only eligible for concessions. Government of India has provided various concessions to SSIs by granting full exemption from payment of central excise duty on a specified output and thereafter slab-wise concessions. Thus concessions in this regard are:- SSI units producing goods upto Rs. 100 lakhs are exempted from payment of excise duties. SSI units having turnover less than Rs. 60 lakhs per annum need not have a separate storeroom for storing finished products.

They are not required to maintain any statutory records such as daily stock accounts, etc. Their own records are adequate. SSI exemption is available for goods for home consumption as well as goods exported to Nepal and Bhutan.

CHOICE OF STREAMS OF CONCESSIONS/EXEMPTIONS:-

SSI Scheme (without CENVAT):- Units can avail full exemption up to turnover or value of clearance of Rs. 100 lakhs and pay normal duty thereafter in the slab-rate of Rs. 100-300 lakhs. This option can be exercised automatically. Such SSI units can avail Canvas credit on inputs only after reaching turnover of Rs. 100 lakhs. This scheme is applicable to all those units mentioned under SSI exemption notification no.8/2003-CE .This notification grants exemption in respect of basic excise duty and special excise duty. The manufacturer may opt for not availing exemption contained in this notification and instead pay normal rate of duty on the clearances. But once the option is exercised, it shall continue till the financial year ends.

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SSI Scheme(with CENVAT) :- Units can avail Canvas credit on inputs on all its turnover.Upto the value of clearance of Rs. 100 lakhs, units have to pay 60% of normal duty and thereafter for value of clearance of Rs.100-300 lakhs, they have to pay normal rate of duty

.'Assessable value' is used to calculate limit of 100 and 300 lakhs which is equal to wholesale price at factory gate, exclusive of taxes .

A manufacturer can opt this option any time determining his eligibility for concession and the concessional rate of duty. While exercising this option, the manufacturer should inform in writing to the Assistant Commissioner of Central Excise with a copy to its Superintendent giving following details:(a)name and address of manufacturer; (b)Location/locations of factory/factories; (c)description of inputs used in manufacture of specified goods and its description thereafter:(d)date from which option under SSI exemption notification (No.9/2003-CE) has been exercised; (e)Aggregate values of clearances of specified goods(excluding the value of clearances not covered under SSI exemption notification)till the date of exercising the option.

Value of clearances which are not eligible for SSI concessions, that is, not covered under SSI exemption notification are as follows:-

Clearances of the specified goods which are used as inputs for further manufacture of any specified goods within the factory of production of the specified goods. Clearances of strips of plastics used within the factory of production for weaving of fabrics or for manufacture of sacks or bags made of polymers of ethylene or propylene. Clearances of goods manufactured by SSI unit with the brand name or trade name of another person(unless goods are manufactured in rural

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areas) Clearances of goods manufactured by SSI unit for captive consumption, Clearances of goods exempted under any other notification.

PROCEDURAL CONCESSIONS TO SSI:-

Quarterly Return:-SSI units availing concessions need not submit monthly ER-1 Return. They only have to submit quarterly ER-1 return by 20th of the following month. SSI units have to pay duty by 15th of following month. They also have to pay duty in March by end of the month each year.

Export procedures for SSI :- SSI units not covered under excise provisions have to follow simplified export procedures such as they do not have to prepare ARE-1 Form, etc. Excise inspectors, officers and audit parties can visit SSI unit only with specific permission taken from Assistant Commissioner and for a specific purpose. They have to enter relevant particulars in Visitors book maintained by registered person .Normally, audit of SSI unit has to be done once in two or five years(except for units who pay duty of Rs. 1 crore or above, who should be audited every year).

CREDIT LINKED CAPITAL SUBSIDY SCHEME

The Government of India is operating Credit Linked Capital Subsidy Scheme to facilitate the upgrading of technology in SSI units in respect of 48 specified products / sub-sectors. Under this scheme, 15% capital subsidy is granted for induction of of proven technologies approved under the Scheme.

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TUF SCHEME FOR TEXTILE

New or existing SME units - including units in cotton ginning and processing sector - are eligible 5% / 4% interest reimbursement and the interest actually charged. Additional option available for Capital subsidy in lieu of interest rebate for select.

MEGA PROJECTS SUBSIDY

The Govt. of Tamil Nadu is offering Mega Project Subsidy for the projects with investment in Fixed Assets above 5.00 crores and upto 200 crores as back ended ranging between 30.00 lakhs to 100.00 lakhs depending upon the investment and direct employment to the workers.

SUBSIDY OF MINISTRY OF FOOD PROCESSING INDUSTRIES

The Ministry of Food Processing, Government of India with a view to accelerate the growth in this sector is providing grants for setting up of food processing units (including meat and fish processing / milk products / spices / coconut / walnut / cashew nut) or upgradation and expansion of such unit and for establishing Food Parks.

Grant is available at 25% of the cost of capital equipment and technical civil works upto a maximum of Rs.50.00 lakhs.

STATE CAPITAL SUBSIDY - MSME POLICY 2008 ANNOUNCED BY GOVT. OF TAMIL NADU

- Capital Subsidy 15% on eligible plant and machinery subject to a maximum of Rs.30.00 lakhs (set up in 251 backwards blocks -- however micro enterprises are eligible in all areas)

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- Additional Capital Subsidy for select category of entrepreneurs Additional Capital Subsidy of 5% to a maximum of Rs.2.00 lakhs to Enterprises set up by Woman / SC/ST/Physically Handicapped / Transgender entrepreneurs
- Employment Incentive Subsidy Employment Incentive Subsidy of an additional 5% subject to a maximum of Rs.5.00 lakhs will be granted, if at least 25 workers have been employed for a minimum period of 3 years within the first 5 years from the date of commencement of production.
- Special Capital Subsidy to thrust sector enterprises Micro/Small/Medium manufacturing enterprises in the following Thrust Sectors are eligible plant and machinery subject to a maximum of Rs.30.00 lakhs
 1. Electiral & Electronics Industry
 2. Leather & Leather Goods
 3. Auto Parts and components
 4. Drugs and Pharmaceuticals
 5. Solar Energy Equipments etc.
- Back ended interest subsidy 3% Back ended interest subsidy to a maximum of Rs.10.00 lakhs for enterprises over a period of five years on loans taken upto Rs.100.00 lakhs for modernisation / ISO Certification / MSEF Schemes.
- Low tension power tariff(LTPT) subsidy Flat rate of 20% for the first 36 months from the date of commencement of production or from the date of power connection, after allotment of an Entrepreneur Memorandum from District Industries Centre.

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DEPARTMENT OF COMMERCE

III B.COM (PA) - (2016 - 2019 BATCH)

VI SEMESTER

PART - B

POSSIBLE QUESTIONS

1. Define the term IFCI.
2. State any two functions of SFC.
3. List out the activities of IDBI
4. What is meant by SIPCOT?
5. List out the functions of entrepreneurs.
6. Write a short note on venture capital

PART - C

POSSIBLE QUESTIONS

1. 1. Explain the Role of commercial banks as a source of finance for entrepreneurs in India.
2. Determine the various activities and features of TIIC.
3. Describe the promotional activities of State Industry Promotion Corporation of Tamilnadu
4. Limited.
5. Explain the financial assistance provided by SFCs to entrepreneurs.
6. Explain the role of SIPCOT in the industrial development of Tamilnadu.
7. Determine the need, objectives and phases of Entrepreneurial Development Program.
8. Describe how commercial banks participate in the financial assistance to small entrepreneurs.
9. Discuss the various Role and financial assistance of KVIC and IIC
10. Elaborate the objectives, functions and role of IDBI in assisting entrepreneurial growth in India.

| Questions | Option 1 |
|--|--|
| Family businesses have a unique set of problems because: | the success of a family and the success of a business are based on different criteria. |
| In order for entrepreneurial couples to avoid problems with power and decision making, it is best to: | work different hours in the business. |
| The percentage of family-owned businesses that are successfully transferred to the second generation is approximately: | 100% |
| The process of transferring leadership to the next generation is known as: | Succession |
| Entrepreneurs can also sell ownership to family members or transfer ownership while still alive. | Possible |
| A group that gives advice to a family-owned company, and is made up of family members as well as non-family members is called: | Team |
| In a business plan, the succession plan becomes more of a concern for bankers and investors: | when there are more than three children involved |
| The difference between an entrepreneurial couple and an employee is | They work more and take less pay |
| The low-entry strategy recommends that children should not be paid much when working in a family business. | TRUE |
| Family business always interested to handover the change of his business to: | IAS Officer |
| A commercial organization in which decision-making is influenced by multiple generations of a family | Global Business |
| Which of the following is not related to family business | Business House |
| Multiple roles is a kind of _____ in a family business | Succession |
| Adani, Reliance and TATA are examples of | Business Group |
| _____ of family members ensures survival of family business through toughest times. | Single Minded Dedication |
| Philanthropy | not in the agenda of Family Business |
| In Family Business the decision making is | fast |
| The Pitfall of Family Business | Quick decision making |
| Name the approach in which family members negotiate and resolve conflict and agree on common terms | Coping Approach |
| Arbitrary Approach is | an approach to solve conflict in family business |
| Business environment is always | Static |

| | |
|--|--|
| Replenishing Entrepreneurship refers to | Closure of Business |
| The conflict resolving approach by which a lead person who can understand and manage the business with good interpersonal skill is called as | Coping Approach |
| Inculcating Professionalism in family business doesnot include | proper documentation of business transaction |
| Companies that does business in different markets under common administrative or financial control | Dealer |
| Having a Good Strategic Plan will | increase conflict |
| In family business the strategies | can be renewed regularly |
| The advantages of family business are | Lack of professionalism |
| In most family businesses the values of the business are the value of the | Currency |
| Which of the following is NOT a conflict resolving approach | Coping Approach |
| Family Business means | The employees are all family members |
| Which of the following is NOT part of TATA group | Indian Hotels |
| Reliance Industries Limited was founded by | Mukesh Ambani |
| Charismatic leadership has which of the following characteristics? | Seeks to pick up the mood of the audience |
| A democratic leadership style has which of the following characteristics? | Autocratic |
| Transactional leadership has which of the following characteristics? | Seeks to involve staff in the decision making process. |
| _____ is the oldest form of business | Technopreneurship |
| The issues in Family Business may be due to | Qualification, Succession and Compensation |
| The key to avoid conflict in succession of Family Business is by having a | aggressive approach |
| All family members involved in the business must understand that their rights and responsibilities are different at home and at work. | TRUE |
| A Special meeting to solve Conflicy in Family Business is called | Family Court |

| | |
|---|-----------------------------------|
| Treatment of family members working and not working in the business can be decided in | Family Court |
| The process to decide who will lead the company in the future is known as | Succession Planning |
| The best practices in succession planning is done | abruptly |
| The board which gives guidance in family business is known as | Panel Board |
| The family owned business have | only Challenges |
| When the Parent and Child has different management styles, there is a possibility of | Conflict |
| For smooth succession of family business, Family members should | Refrain from business |
| Women owned family business are tend to | be more likely to plan succession |
| In Family Business, adherence to core principle | is not possible |
| Family Business culture is | internally group oriented |
| In the traditional family business, who has the final say | youngest member |
| Family owned business are the _____ of the economies of many countries | hinderances |
| Women have vital qualities for succession of business | TRUE |
| The traditional mental conviction about the women are; they are born to be | Leaders |
| The nature of women in balancing in the career is _____ | work life balance |
| The investors are tend to prefer _____ ventures | male entrepreneurial |
| Kiran Mazumdar Shaw is _____ | an athlete |
| Which is NOT a mechanism for addressing change in family business | No Compelling Purpose |
| Transition from one generation to the next generation is called | Planned Change |

| Option 2 | Option 3 | Option 4 | Option 5 | Option 6 |
|--|---|--|----------|----------|
| family members usually prefer to work for a large corporation. | family members have different goals | family members don't know business | | |
| assign specific areas of responsibility. | designate one person as the legal owner of the company. | work in different locations | | |
| two third | one-third | 50% | | |
| Continuity | Power Sharing | natural division of responsibility | | |
| Not Possible | can be considered | legally not allowed | | |
| An advisory Board | Family council | Helpers | | |
| as the entrepreneur ages. | when the entrepreneur has no children | if a family council exists | | |
| they work less and take more pay | they don't work | they don't take pay | | |
| FALSE | Irrelevant | may be | | |
| Professional Manager | Next Generation | Doctor | | |
| Generation Business | Innovative Business | Family Business | | |
| Family Owned | Family Controlled | Solar Family | | |
| Conflict | Profession | | | |
| Mafia Group | Partnership firms | All of the Above | | |
| Diverse thinking | conflict | Non -Committal | | |
| an important aspect of family business | doesnot care about the society | Not Applicable to entrepreneurs | | |
| slow | cumbersome | difficult | | |
| Lack of Professionalism | Economic Development | Lowers transaction cost | | |
| Arbitrary Approach | Managed Approach | Conflict Approach | | |
| an approach where youngsters resolve conflict | Noway connected to entrepreneurship | Perfect solution for conflict resolution | | |
| Stable | Dynamic | Constant | | |

| | | | | |
|---|---|--|--|--|
| Expasion of buiness | Continuing routine business | None of the Above | | |
| Arbitrary Approach | Managed Approach | None of the Above | | |
| planning and implementation of efficient strategies for success of business | retaining of effective talent in company | Biased Behaviour | | |
| Wholesaler | Business Group | None of the Above | | |
| resolve conflict | increase misunderstanding | not provide clarity | | |
| Cannot be changed | doesnot help to compete in the market | are meant only for family members | | |
| conflict between siblings | Inability to separate personal and business interests | Decision Making is Quick | | |
| Family | Money | Product | | |
| Dubious Approach | Arbitrary Approach | Managed Approach | | |
| The founders are family members | business is done within a family only | Buyers are from one family | | |
| TITAN | NANO CAR | Wipro | | |
| Anil Ambani | Dhirubhai Ambani | Rakesh Reliance | | |
| Employs a clear chain of command | Takes the view that rewards and punishment motivate staff | Seeks to involve staff in the decision making process | | |
| A dictatorial leader. | Split power | Genuine | | |
| Takes the view that rewards and punishment motivate staff. | Seeks to ensure staff understand issues facing the organisation | Believe success arises from leaders and staff working together | | |
| Netpreneurship | Family Business | Rocket science | | |
| Nature of Business, Revenue, size of business | No. of family members, country of business | No issues | | |
| autocratic leadership | well defined plan | road to closure | | |
| FALSE | Insignificant | Irrelevant | | |
| Family Council | Family Restaurant | Family Marriage | | |

| | | | | |
|--------------------------------|--------------------------------|-------------------------|--|--|
| Family Council | Family Restaurant | Family Marriage | | |
| Project Planning | Internal Planning | Growth Plan | | |
| in phases | idefinitely | no longer | | |
| Black Board | Advisory Board | No Name | | |
| Challeneges and rewards | only rewards | nothing | | |
| Growth | harmony | agreement | | |
| get exposure in that business | be employed in other companies | do nothing | | |
| have more debt than male owned | have more attrition rate | fail | | |
| is possible | will never happen | is a distant dream | | |
| oriented towards market | oriented towards global issues | oriented towards issues | | |
| eldest member | infants | any member | | |
| troublemakers | killers | Back bone | | |
| FALSE | Insignificant | Irrelevant | | |
| Managers | Mother and Housewives | Entrepreneurs | | |
| personality balance | mental balance | no balance | | |
| Female entrepreneurial | Social entrepreneurship | no | | |
| an actor | Entrepreneur | a princess | | |
| Parallel planning | Skill Development | Task force | | |
| Natural Change | Artificial Change | No Change | | |

| Answer |
|--|
| the success of a family and the success of a business are based on different criteria. |
| assign specific areas of responsibility. |
| one-third |
| Succession |
| Possible |
| An advisory Board |
| as the entrepreneur ages. |
| They work more and take less pay |
| FALSE |
| Next Generation |
| Family Business |
| Solar Family |
| Conflict |
| Business Group |
| Single Minded Dedication |
| an important aspect of family business |
| fast |
| Lack of Professionalism |
| Coping Approach |
| an approach to solve conflict in family business |
| Dynamic |

| |
|--|
| Expasion of buiness |
| Managed Approach |
| Biased Behaviour |
| Business Group |
| resolve conflict |
| can be renewed regularly |
| Decision Making is Quick |
| Family |
| Dubious Approach |
| The founders are family members |
| Wipro |
| Dhirubhai Ambani |
| Seeks to pick up the mood of the audience |
| Split power |
| Takes the view that rewards and punishment motivate staff. |
| Family Business |
| Qualification, Succession and Compensation |
| well defined plan |
| TRUE |
| Family Council |

| |
|-----------------------------------|
| Family Council |
| Succession Planning |
| in phases |
| Advisory Board |
| Challeneges and rewards |
| Conflict |
| get exposure in that business |
| be more likely to plan succession |
| is possible |
| internally group oriented |
| eldest member |
| Back bone |
| TRUE |
| Mother and Housewives |
| work life balance |
| male entrepreneurial |
| Entrepreneur |
| No Compelling Purpose |
| Natural Change |

UNIT-V – INCENTIVES AND SUBSIDIES

Incentives and Subsidies - Subsidized Services - Subsidy for Market - Transport - Transport - Seed Capital Assistance - Taxation Benefit to SSI Role of Entrepreneur in Export Promotion and Import Substitution – MSMED Act

INCENTIVES AND SUBSIDIES

Incentives have been used in a number of situations to try and encourage project participants to undertake various activities which may initially be unattractive for them. This has applied particularly to soil and water conservation activities, which generally do not produce easily identifiable short term gains or require a level of inputs (both in terms of labour or capital) which are beyond the capacities of the participants. Incentives need to be distinguished from subsidies. Incentives are intended to motivate an individual to act in a certain way or adopt a certain practice. Incentives are measured in terms of the direct benefits which can be derived, usually from increased production or productivity; if the benefits are sustainable, then so will be the activity. Subsidies, on the other hand, are payments in cash or kind which reduce the cost of undertaking an activity.

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labour or capital) which are beyond the capacities of the participants. The experience in eastern Africa has been that incentives have at best only been partially successful in achieving adoption, and at worse have resulted in very negative reactions from the participants. The use of "incentives" in design has also been to mask circumstances where the reality is that a particular activity is actually being subsidised. The question remains as to how valid incentives are in bringing modifications to farming systems, and whether subsidies, which are not usually sustainable, are an acceptable method in the short term to initiate project activities.

In Lesotho (SRS-013-LE), payments for conservation activities were a part of the project design. These were shown to concentrate farmers' attention on the cash potential from the activity, rather than benefits to be derived in the farming system: when subsidies were discontinued, then so were the conservation practices. By contrast, when the local and unsubsidized Macho bane system of conservation farming was introduced, which offered real incentives in terms of increased income from the first year of implementation, adoption was widespread and sustainable.

In Botswana (076-BT), subsidized packages were offered to beneficiaries and were widely accepted, but this did not result in the sustainable adoption of the technology associated with the packages. In this case profitability was not adequate to out way the perceived risks in the farming environment, given the alternative attractions of off-farm employment.

Incentives need to be distinguished from subsidies. Incentives are intended to motivate an individual to act in a certain way or adopt a certain practice. Incentives are measured in terms of

the direct benefits which can be derived, usually from increased production or productivity; if the benefits are sustainable, then so will be the activity. Subsidies, on the other hand, are payments in cash or kind which reduce the cost of undertaking an activity. If farmers do not consider an activity acceptable without subsidies, then it will probably be discontinued when the subsidies are withdrawn (i.e. at the end of the programme).

- Incentives need to be adequately demonstrated and quantified in order to be attractive to participants.
- Subsidies have an important role to play in the short term and/or in emergency circumstances until the benefits from the intervention materialize, and where they can be clearly identified in assisting to reinstate production or services. A clear distinction should be maintained between subsidized activities and incentives where both are to be included in a project.

Types of incentives

Profit or Gain-Sharing Incentive Plan

Giving employees the chance to share in productivity gains or profits, usually through cash or stock bonuses, can motivate them to hit individual benchmarks or help reach team-wide or organizational objectives. One way to offer profit sharing is through deferred compensation. For example, suppose the company already contributes 4 percent of each employee's compensation to a 401(k) retirement plan. The company might establish an incentive plan in which, for every year in which a company's after-tax profits exceed 4 percent, it will contribute to the 401(k) at a

percentage that matches its profits. That means that if profits are 6 percent, the company would put 6 percent in the 401(k).

Because these plans are part of a 401(k), the company must meet federal regulatory requirements; however, the advantage is that employees do not pay taxes on the money immediately. A cash profit sharing plan would work similarly, but the employee would receive the contribution in cash or stock. This would be immediately taxable but is subject to less regulation.

The Good Old Cash Bonus

One-time bonuses, in addition to regular pay increases or commissions, may be paid to individuals for meeting certain milestones or performing valuable services. One example of this type of incentive plan is offering a cash bonus for referring qualified friends who are hired and complete the probationary period. Other companies might offer bonuses for achieving a specific sales goal or for proposing an idea that saves money. Bonuses also might be offered for extraordinary performance after completion, appraisal and analysis of a specific project. Hilcorp Energy Company promised staff in 2010 that if the company doubled its production rate and reserves by 2015, every employee would get a check for \$100,000.

We Pay If You Stay

Retention bonuses reward employees for staying with the company for a particular amount of time or through a specific event, such as during a merger or acquisition or a crucial production

period. In the case of a merger, the bonus might be paid in full or in installments three months to 18 months after the merger has closed. Almost 60 percent of companies surveyed by World at Work/Deloitte Consulting offer retention bonuses as an incentive for the employee to stay after receiving an offer from a competitor.

Long-term, Stock-Based Incentives

Publicly traded companies may offer long-term incentives based on the price of common stock. These incentives help align an employee's long-term financial interest with that of the company. The most popular of these types of incentives for employees is restricted stock, which is given subject to sale restrictions or forfeiture until the employee has been with the company a specific period of time. Also popular are stock options, which allow the employee to buy shares at an agreed-upon price for a certain period of time. Performance shares – grants of actual shares of stock, payment of which is contingent on performance over a multi-year period – are sometimes offered to executives or officers.

Career Development and Training

Offering specialized training in an area of interest is another valued incentive. The key to making this work is to allow the high-performing individual to choose the type of training they most value. For example, Sammis & Ochoa, LLC, pays for top performers to attend two industry or personal development events within their state.

Recognition and Other Non-Cash Incentive Plans

Many employees thrive on being recognized in front of their peers. One example is an "Employee of the Month" program. The company recognizes the employee through signs in the lobby, emails, a special parking place and at staff meetings and in employee newsletters. Larger companies may choose employees of the month from each division and include breakfast as a group with the CEO. Recognition also can include individual or team perks, such as being able to bring a pet to work or to dress casually for a day, or prizes such as free airplane tickets to a favorite U.S. destination.

As a team incentive, a company might offer a free happy hour or pizza party at a local restaurant of the team's choice. Employees (or teams) might be offered additional vacation or personal time as an incentive to achieve a specific goal. For example, for every quarter that the company has no workplace accidents, workers could receive eight hours off with pay at a time of their choice, with supervisor approval.

OBJECTIVES

The Indian government has, since Independence, subsidized many industries and products, from petrol to food. Loss-making state-owned enterprises are assisted by the government and farmers are given access to free electricity.^[1] Overall, a 2005 article by International Herald Tribune stated that subsidies amounted to 14% of GDP. As much as 39% of subsidized kerosene is stolen.

On the other hand, India spends relatively little on education, health, or infrastructure. Urgently needed infrastructure investment has been much lower than in China.

According to the UNESCO, India has the lowest public expenditure on higher education per student in the world. India's vast subsidies have been severely criticized by the World Bank as allegedly increasing economic inefficiency.

However, this argument against subsidies in India does not consider the fact that just agricultural and fisheries subsidies form over 40% of the EU budget (see Agricultural subsidy) although in Europe only fraction of the people compared to India will be affected. This fact is also true of United States and most other Western countries.

Subsidies, by means of creating a wedge between consumer prices and producer costs, lead to changes in demand/ supply decisions. Subsidies are often aimed at inducing higher consumption/ production offsetting market imperfections including internalization of externalities; achievement of social policy objectives including redistribution of income, population control, etc.

TRANSFERS AND SUBSIDIES

Transfers which are straight income supplements need to be distinguished from subsidies. An unconditional transfer to an individual would augment his income and would be distributed over the entire range of his expenditures. A subsidy however refers to a specific good, the relative price of which has been lowered because of the subsidy with a view to changing the consumption/ allocation decisions in favour of the subsidized goods. Even when subsidy is hundred percent, i.e. the good is supplied free of cost, it should be distinguished from an income-

transfer (of an equivalent amount) which need not be spent exclusively on the subsidized good.

Transfers may be preferred to subsidies on the ground that

- i) Any given expenditure of State funds will increase welfare more if it is given as an income-transfer rather than via subsidizing the price of some commodities, and
- ii) Transfer payments can be better targeted at a specific income groups as compared to free or subsidized goods.

MODE OF ADMINISTERING A SUBSIDY

The various alternative modes of administering a subsidy are:

- ❖ Subsidy to producers
- ❖ Subsidy to consumers
- ❖ Subsidy to producers of inputs
- ❖ Providing Incentives Instead of Subsidizing
- ❖ Production/sales through public enterprises
- ❖ Cross subsidization
- ❖ Subsidy targeting

Subsidies can be distributed among individuals according to a set of selected criteria, e.g. 1) merit, 2) income-level, 3) social group etc. two types of errors arise if proper targeting is not done, i.e. exclusion errors and inclusion errors. In the former case, some of those who deserve to receive a subsidy are excluded, and in the latter case, some of those who do not deserve to receive subsidy get included in the subsidy programme.

EFFECTS OF SUBSIDIES

Economic effects of subsidies can be broadly grouped into

Allocative effects: these relate to the sectoral allocation of resources. Subsidies help draw more resources towards the subsidized sector

Redistributive effects: these generally depend upon the elasticity's of demands of the relevant groups for the subsidized good as well as the elasticity of supply of the same good and the mode of administering the subsidy.

Fiscal effects: subsidies have obvious fiscal effects since a large part of subsidies emanate from the budget. They directly increase fiscal deficits. Subsidies may also indirectly affect the budget adversely by drawing resources away from tax-yielding sectors towards sectors that may have a low tax-revenue potential.

Trade effects: a regulated price, which is substantially lower than the market clearing price, may reduce domestic supply and lead to an increase in imports. On the other hand, subsidies to domestic producers may enable them to offer internationally competitive prices, reducing imports or raising exports.

Subsidies may also lead to perverse or unintended economic effects. They would result in inefficient resource allocation if imposed on a competitive market or where market imperfections do not justify a subsidy, by diverting economic resources away from areas where their marginal productivity would be higher. Generalised subsidies waste resources; further, they may have perverse distributional effects endowing greater benefits on the better off people. For example, a price control may lead to lower production and shortages and thus generate black markets

resulting in profits to operators in such markets and economic rents to privileged people who have access to the distribution of the good concerned at the controlled price.

Subsidies have a tendency to self-perpetuate. They create vested interests and acquire political hues. In addition, it is difficult to control the incidence of a subsidy since their effects are transmitted through the mechanism of the market, which often has imperfections other than those addressed by the subsidy. On 29 June 2012, C Rangarajan, Chairman of the Prime Minister's Advisory Council in view of present difficult economic position, advocated cutting down of fuel and fertilizer subsidies to keep the fiscal deficit within the budgeted level of 5.1 per cent.

SUBSIDY ISSUES IN INDIA

Subsidies have proliferated in India for several reasons. In particular this proliferation can be traced to

- 1) The expanse of governmental activities
- 2) Relatively weak determination of governments to recover costs from the respective users of the subsidies, even when this may be desirable on economic grounds, and
- 3) Generally low efficiency levels of governmental activities.

In the context of their economic effects, subsidies have been subjected to an intense debate in India in recent years. Some of the major issues that have emerged in the literature are indicated. Whether the magnitude and incidence of subsidies, explicit and implicit, have spun out of control; their burden on government finances being unbearable, and their cost being felt in terms of a decline of real public investment in agriculture.

Whether agricultural subsidies distort the cropping pattern and lead to inter-regional disparities in development; Whether general subsidies on scarce inputs like water and power have distorted their optimal allocation; Whether subsidies basically cover only inefficiencies in the provision of governmental services; Whether subsidies like (food subsidies) have a predominant urban bias; Whether subsidies are mistargeted; Whether subsidies have a deleterious effect on general economic growth of sectors not covered by the subsidies; Whether agricultural subsidies are biased against small and marginal farmers, How should government services be priced or recovery rates determined; What is the impact of subsidies on the quality of environment and ecology

SUSTAINABILITY ISSUES

An example of potential environmental or sustainability issues arising from the current subsidy structure can be seen interrelated problems of water and energy consumption in the agricultural sector.

During the Green Revolution in the 1960s and 70s, India's agricultural productivity grew greatly, in part due to a dramatic increase in agricultural irrigation, particularly from groundwater sources. While that increase in irrigation has helped the nation feed itself, it has also created a groundwater crisis, the dimensions of which have become increasingly clear in recent years. Groundwater tables are falling in many areas of the country, from around 20 cm per year in Punjab to 3 to 5 metres per year in parts of Gujarat. The medium to long-term risks to agriculture in such a scenario range from an eventual decline in water resources, to the intrusion of salt-water in coastal areas.

As groundwater tables drop, the pumping of groundwater from deeper and deeper wells requires an ever-increasing amount of electricity. Because electricity for agriculture is subsidized, there is little incentive for farmers to adopt water-saving techniques, creating a vicious circle of water and energy consumption.

METHODOLOGY FOR ESTIMATION OF SUBSIDIES IN INDIA

Alternative approaches and conventions have evolved regarding measurement of the magnitude of subsidies. Two major conventions relate to measurement through (i) budgets, and (ii) National Accounts. The latter estimates comprise explicit subsidies, and certain direct payments to producers in the private or public sectors (including compensation for operating losses for public undertakings) that are treated as subsidies. This, however, does not encompass all the implicit subsidies.

The estimates of budgetary subsidies are computed as the excess of the costs of providing a service over the recoveries from that service. The costs have been taken as the sum of: revenue expenditure on the concerned service annual depreciation on cumulative capital expenditure for the creation of physical assets in the service;

Interest-cost (computed at the average rate of interest actually paid by the respective governments) of cumulative capital expenditure, equity investments in public enterprises, and loans given for the service concerned including those to the public enterprises. The recoveries are the current receipts from a service, which are usually in the form of user charges, fees, interest receipts and dividends. Mathematically, the subsidy (S) in a service is obtained by:

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Services provided by the govt are grouped under the broad categories of general, social and economic services.

General services consist of:

- i) Organs of state
- ii) Fiscal services
- iii) Administrative services
- iv) Defense services, and
- v) Miscellaneous services.

These services can be taken as public goods because they satisfy, in general, the criteria of non-rival consumption and non-excludability. The entitlement to these services is common to all citizens. Since they are to be treated as public goods, they are assumed to be financed through taxes.

IMPORTANT SERVICE CATEGORIES IN SOCIAL SERVICES ARE

- i) Education consisting of general education, technical education, sports and youth services, and art and culture,
- ii) Health and family welfare,
- iii) Water supply, sanitation, housing and urban development,
- iv) Information and broadcasting,
- v) Labour and employment and
- vi) Social welfare and nutrition.

Under the heading of economics services, the following are included

- i) Agriculture and allied activities,
- ii) Rural development,
- iii) Special area programmes,
- iv) Irrigation and flood control,
- v) Energy,
- vi) Industry and minerals,

CENTRAL GOVERNMENT SUBSIDIES

Trends in the subsidies given by Central Government (Year 1994-95)The bulk of the Central Govt's subsidies arise on the provision of economic services, which account for 88% of the total subsidies (10% on merit services and 78% on non-merit).

The recovery rates in the social and economic services are very low (around 10%).Subsidies on non-merit goods are more than five times those on merit goods, which reflects on an unduly large and ill-directed subsidy regime.

The bulk of subsidies on merit goods go for the construction of roads and bridges, followed by elementary education and scientific research.

Amongst non-merit services, the biggest recipients are industries and agriculture and allied services. 78% of subsidies which go for non-merit economic services are amenable to economic pricing. Even if one allows for a part of these subsidies being given in the interest of redistribution or provision of human needs, a substantial part must be due to inefficiency costs of public provision of these services and/or inessential input or output subsidies.

Subsidies to Central Public Enterprises are estimated separately as the excess of imputed return on the equity held and loans given by the central government to these enterprises, over actual receipts in the form of dividends and interests. Subsidy in this manner is calculated for each enterprise. They are aggregated according to cognate groups. Each cognate group has some enterprises that receive a subsidy and some surplus units. However, there are four groups where no unit is able to show a surplus viz: coal and lignite, power, agro-based goods and tourist services.

EXPLICIT SUBSIDIES OF THE CENTRE

The most important explicit subsidies administered through the Central Government budget are food and fertilizer subsidies, and until recently, export subsidies. These subsidies account for about 30% of the total central subsidies in a year and have grown at a rate of approx 10% per annum over the period 1971-72 to 1996-97.

The relative importance of different explicit subsidies has changed over the years. E.g., food subsidies accounted for about 70% of total Central explicit subsidies in 1974-75. Since then, its relative share fell steadily reaching its lowest of 20.15% in 1990-91. Thence onwards, it has risen steadily reaching a figure of 40% in 1995-96. Export subsidies have been on the decline except for the spurt in the late 1980s, whereas the relative share of the food subsidies has been rising although in a cyclical pattern.

As a proportion of GDP, explicit Central govt subsidies were just about 0.305 in 1971-72. they continued to increase steadily reaching a peak of 2.38% in 1989-90. after this during the reform years, the explicit subsidies as a proportion of GDP have continued to decline.

PUBLIC POLICY

In the last quarter of 20th century, Indian governments began procuring condoms on large scale to facilitate national population control schemes by reselling them at subsidized prices.

RECENT TRENDS

Expenditure on major subsidies has increased in nominal terms from Rs. 95.81 billion in 1990-91 to Rs. 40, 4.16 billion in 2002-03. It was budgeted to increase by 20.3 percent to Rs. 48, 6.36 billion in 2003-04. Expenditure on major subsidies as per cent of revenue expenditure after declining from 13.0 per cent in 1990-91 to 8.7 per cent in 1995-96 started rising to reach a level of 9.6 per cent in 1998-99. In 2002-03, expenditure on major subsidises increased to 11.9 per cent from 10.0 per cent in 2001-02. With the dismantling of the administered price mechanism for petroleum products from 1 April 2002, subsidies in respect of LPG and kerosene distributed through the Public Distribution System are now explicitly reflected in the budget. This partially explains the spurt of 35.3 per cent in the expenditure on major subsidies in 2002-03.

The spurt in major subsidies in 2002-03 was also because of an increase in food subsidy by Rs. 66.77 billion necessitated by the widespread drought in the country. Some of the major initiatives taken so far to rationalize the budgetary subsidies include targeted approach to food subsidy (BPL families) under Public Distribution System, allowing Food Corporation of India (FCI) to access market loans carrying lower interest rates, encouraging private trade in food grains, liquidating excess food grain stocks, replacing unit based retention price scheme with a group based scheme in the case of fertilizer subsidies and proposed phasing out of subsidies on PDS kerosene and LPG. (Economic Survey for the year 2004-05)

SUBSIDIES OF STATE GOVERNMENTS

Subsidies given by 15 non-special category States were estimated for 1993-94, the latest year for which reasonably detailed data were available for all these States. The trends thrown up by the study are: Subsidies in social services and economic services both constitute half each of the total subsidies given by the States. The proportion of merit subsidies is much higher in social services vis-à-vis economic services. The overall recovery rate is 5.81% of the total cost (less than 2% in social services and approx. 9% in economic services).

There is a distinct tendency for the per capita subsidies to rise as the per capita incomes rise. None of the 15 States spends more than 30-35% of total subsidies on merit goods. The recovery rates for merit services show variation in a narrow band whereas the largest variations are recorded for recovery rates for non-merit economic services. The near zero surpluses for all services show that subsidies are mainly financed by tax-revenues and borrowing in the States. More than one-fifth of non-merit social subsidies accrue to education, sports and art & culture. In economic services, irrigation accounts for nearly a quarter of services whereas power accounts for around 12%. Lastly, subsidies to States' public enterprises are large but recovery in the form of interests and dividends is extremely low.

CENTRE AND STATES: AGGREGATE BUDGET-BASED SUBSIDIES

Total non-merit subsidy for the Central and State governments taken together amount to Rs. 1021452.4 million in 1994-95, which is 10.71% of GDP at market prices. The share of Central government in this is 35.37%, i.e. roughly half of corresponding State government subsidies. The recovery-rate for the Centre, in the case of non-merit subsidies, is 12.13%, which

is somewhat higher than the corresponding figure of 9.28% for the States. The difference in recovery rates is striking for non-merit social services, being 18.14% for the centre and 3.97% for the States. It is only marginally different for non-merit economic services (11.65% for Centre and 12.87% for States) where, in fact, States do better.

The total non-merit subsidies for the year 1994-95 amounted to 10.71% of GDP at market prices, resulting in a combined fiscal deficit of 7.3% for the Centre, States and Union Territories. Therefore, if these subsidies were phased out, the same would have a discernible impact on the fiscal deficit. It can be done by increasing the relevant user charges, which would also lead to a reduction in their demand. Apart from these first round effects, there would also be positive secondary effects on fiscal deficit, as the overall efficiency in the economy rises with an improved utilization of scarce resources like water, power and petroleum. With an increase in efficiency, the consequent expansion of tax-bases and rise in tax-revenues would further reduce the fiscal deficit.

BENEFITS OF SUBSIDIES

The relative distribution of the benefits of a subsidy may be studied with respect to different classes or groups of beneficiaries such as consumers and producers, as also between different classes of consumers and producers.

In case of food subsidy, PDS suffers from considerable leakage and apart from a low coverage of poor; the magnitude of benefit derived by the poor is very small.

In case of electricity, the subsidy rates have been rising for both agriculture and domestic sectors because the unit cost has been rising faster than the relevant tariff-rate. Also, there is

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considerable variation in the level of per capita electricity subsidy indicates that, in the richer States, the per capita subsidy is substantially higher as compared to that in the poorer States.

In case of public irrigation, water has a very high marginal productivity when used in conjunction with HYV of seeds, chemical fertilizers, power and other related inputs. It is the richer farmers who may derive relatively larger benefits because of their capacity to use these allied inputs.

Subsidies to elementary education form about half of the total subsidies on general education. However, this is not true for all individual States: the share of elementary education is lowest in the high income States and the highest in the low income States (Goa, Punjab and West Bengal actually give higher subsidies to secondary education than primary education). A negative correlation between the level of per capita income and the share of subsidies to elementary education is thus discernible. Most subsidies to higher education accrue predominantly to the better-off sections of society as they have an overwhelming advantage in competing out prospective candidates from the poorer sections in getting admission to courses that are characterized by scarcity of seats.

For subsidies of health, the greater emphasis on curative health care expenditure often reflects a bias towards the better-off people whereas preventive health care expenditure with much larger externalities would clearly be of greater help to the economically weaker sections of the society.

Like indirect taxes, they can alter relative prices and budget constraints and thereby affect decisions concerning production, consumption and allocation of resources. Subsidies in areas such as education, health and environment at times merit justification on grounds that their

benefits are spread well beyond the immediate recipients, and are shared by the population at large, present and future. For many other subsidies, however the case is not so clear-cut. Arising due to extensive governmental participation in a variety of economic activities, there are many subsidies that shelter inefficiencies or are of doubtful distributional credentials. Subsidies that are ineffective or distortionary need to be weaned out, for an undiscerning, uncontrolled and opaque growth of subsidies can be deleterious for a country's public finances.

In India, as also elsewhere, subsidies now account for a significant part of government's expenditures although, like that of an iceberg, only their tip may be visible. These implicit subsidies not only cause a considerable draft on the already strained fiscal resources, but may also fail on the anvil of equity and efficiency as has already been pointed out above.

In the context of their economic effects, subsidies have been subjected to an intense debate in India in recent years. Issues like the distortionary effects of agricultural subsidies on the cropping pattern, their impact on inter-regional disparities in development, the sub-optimal use of scarce inputs like water and power induced by subsidies, and whether subsidies lead to systemic inefficiencies have been examined at length. Inadequate targeting of subsidies has especially been picked up for discussion.

This paper based on the study conducted by Srivastava, Sen et al. under the aegis of National Institute of Public Finance and Policy, and the discussion paper brought out by Department of Economic Affairs(Ministry of Finance) in 1997, aims to provide a comprehensive estimate of budget-based subsidies in India. In addition, recent trends have been included from the Economic Survey for the year 2004-05. Attention is focused on bringing out

the magnitude of the implicit subsidies, in addition to the explicit ones, to form an idea as to how heavy a draft do they constitute on the fiscal resources of the economy.

TAXATION BENEFITS TO SMALL SCALE INDUSTRIES

A small scale industry (SSI) is an industrial undertaking in which the investment in fixed assets in plant & machinery, whether held on ownership term or on lease or hire purchase, does not exceed Rs. 1Crore. However, this investment limit is varied by the Government from time to time.

Entrepreneurs in small scale sector are normally not required to obtain a license either from the Central Government or the State Government for setting up units in any part of the country. Registration of a small scale unit is also not compulsory. But, its registration with the State Directorate or Commissioner of Industries or DIC's makes the unit eligible for availing different types of Government assistance like financial assistance from the Department of Industries, medium and long term loans from State Financial Corporations and other commercial banks, machinery on hire-purchase basis from the National Small Industries Corporation, etc. Registration is also an essential requirement for getting benefits of special schemes for promotion of SSI viz. Credit guarantee Scheme, Capital subsidy, Reduced custom duty on selected items, ISO-9000 Certification reimbursement & several other benefits provided by the State Government.

The Ministry of Micro, Small and Medium Enterprises acts as the nodal agency for growth and development of SSIs in the country. The ministry formulates and implements policies and

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programmes in order to promote small scale industries and enhance their competitiveness. It is assisted by various public sector enterprises like:-

Small Industry Development Organisation (SIDO) is the apex body for assisting the Government in formulating and overseeing the implementation of its policies and programmes/projects/schemes.

National Small Industries Corporation Ltd (NSIC) was established by the Government with a view to promoting, aiding and fostering the growth of SSI in the country, with focus on commercial aspects of their operation.

The Ministry has established three National Entrepreneurship Development Institutes which are engaged in development of training modules, undertaking research and training and providing consultancy services for entrepreneurship development in the SSI sector. These are:-

National Institute of Small Industry Extension Training (NISIET) at Hyderabad, National Institute of Entrepreneurship and Small Business Development (NIESBUD) at NOIDA Indian Institute of Entrepreneurship (IIE) at Guwahati The National Commission for Enterprises in the Unorganized Sector (NCEUS) has been constituted with the mandate to examine the problems of enterprises in the unorganized sector and suggest measures to overcome them.

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DEPARTMENT OF COMMERCE

III B.COM (PA) - (2016 - 2019 BATCH)

VI SEMESTER

PART - B

POSSIBLE QUESTIONS

1. Define the term Incentives
2. List out the types of incentives
3. Give the meaning of subsidies?
4. What is meant by seed capital assistance?
5. What is meant by MSMED Act?
6. Write a short note on export promotion?
7. Write a short note on import promotion?

PART - C

POSSIBLE QUESTIONS

1. Discuss the types of incentives with examples
2. Explain the subsidy for market services?
3. Briefly explain the concept of seed capital assistance
4. Discuss the Role of Entrepreneur in Export Promotion
5. Describe the role of entrepreneur in Import Substitution
6. Explain the role of MSMED Act in entrepreneurship?

| Question | Option 1 |
|--|-------------------------|
| The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet: | Crowd Funding |
| Raising finance against receivables is called | Gift |
| Funding for an innovative idea will be made by | Angel investors |
| First stage of funding in a small business | Venture Capital |
| A Small loan given without collateral security | Micro Finance |
| Two or more banks come together to finance the big projects requiring huge amount of money | Venture Capital |
| The process of involving a group of lenders to fund various portions of a loan for a single borrower. | Joint venture |
| Banks are the only source of financing | TRUE |
| The capital they provide can be a one-time injection to transform the idea to prototype | Root Fund |
| Business plan competitions are | Source of financing |
| Programs that are designed to support the successful development of startups through a variety of business support resources and services. | Crowd Funding |
| _____ is money provided by investors to startup firms and small businesses with perceived long-term growth potential | Seed fund |
| Lending that allows a business owner to borrow and lend money with their peers in the business space | Bank Loan |
| SBI, IOB and IB are examples of _____ | MNC |
| This is most important for investor pitch | Business Plan |
| It typically entails high risk for the investor, but it has the potential for above-average returns. | Seed fund |
| something pledged as security for repayment of a loan, to be forfeited in the event of a default | Collateral |
| A written estimate of the value of real or personal property prepared by a qualified appraiser. | Appraisal |
| The medium or long-term loans are popularly known as | Seed fund |
| financing current asset, viz, working capital, which is being financed by commercial banks to a great extent is known as | Short term financing |
| Estimates form part and parcel of Bank loan proposals | TRUE |
| The evaluation of requirements of the actual production process | Plant and equipment |
| The observation of people at work that would reveal the one best way to do a task is known as human | scientific management |
| The everyday tasks of management include: | planning and creativity |
| Entrepreneurs need _____ | Knowledge |
| _____ is needed to motivate people. | TDE |
| Loans are provided by the commercial banks to the entrepreneurs at low _____ rate | Real |
| An _____ bears uncertainty. | Manager |

| | |
|--|---|
| An entrepreneur is the _____ of an enterprise | Servant |
| The resistance of employees in an organization against flexibility, growth, and diversification can be overcome by developing: _____ | Managerial Domain |
| _____ Entrepreneurs are those women who start a business | Single |
| _____ are not raised by intrapreneurs | Funds |
| Entrepreneurs will be _____ | Caustious |
| A person owning and running a small firm is known as | Owner Manager |
| Someone who improves an existing business can be called _____. | A Professor |
| _____ presupposes commitment to tasks to be performed with well-defined objectives, schedules and budget | Project |
| EDPs are conducted by | Specialized Organisations |
| _____ gives assistance to small Entrepreneurs | Private |
| Industrial estates promote _____. | Estates |
| Seed capital assistance | Purchase of seed |
| The process of involving a group of lenders to fund various portions of a loan for a single borrower. | Loan Syndication |
| Syndicate Loan is given by | Government |
| MSMED Act was formulated in the year | 1990 |
| What does S in MSME stand for | Super |
| In Manufacturing Industry the classification for MSME is based on investment in | Sales |
| In service sector the classification is based on investment in | Sales |
| A business where a Pump is manufactured comes under which category | Service |
| If I invest 5 lakh in plant and machinery to what category does that belong | Micro |
| Does a large enterprise covered under MSME Act | Cant be defined |
| If a person invests 100 Crores then it is a | Micro |
| Micro and Small are the same | Cant be defined |
| what does E in MSME stand for | English |
| In service sector, a medium enterprise is one whose investment in equipment is | Less than 10 Lakhs |
| What does MSME stand for | Mumbai Stock Market Enterprise |
| A small enterprise is an enterprise where the investment in plant and machinery is | more than Rs. 25 lakh but does not exceed Rs. 5 crore |
| The definition of MSME is given by the following act | MSMED ACT, 1990 |
| The Classification for MSME is based on | Investment |
| An educational institute is an example for _____ | Service Industry |
| A Medium enterprise is one whose investment in Plant & Machinery | Less than 25 Lakhs |
| For Enterprise providing Service, If the investment in Equipment is less than 10 Lakhs | Micro |

| Option 2 | Option 3 | Option 4 | Option 5 | Option 6 |
|-----------------------|-------------------------------|----------------------|----------|----------|
| Crowdfunding | People funding | collection | | |
| Factoring | Donation | Capital | | |
| Banks | FMCG | NBFC | | |
| Bank Loan | Friends and Family | Publishers | | |
| Term Loan | Factoring | Consortium | | |
| Consortium Financing | Joint venture | Merger | | |
| Merger | Donation | Loan Syndication | | |
| FALSE | Vague | Insignificant | | |
| Stem Fund | Leaf fund | Seed Fund | | |
| Idea Generation | human resource activity | Accounting procedure | | |
| Factoring | Business Incubation | Joint Venture | | |
| Venture Capital | Micro Credit | Consortium | | |
| Peer to Peer Lending | Term Loan | Factoring | | |
| NBFC | Commercial Banks | FII | | |
| Route Map | Layout Plan | Globe | | |
| Venture Capital | Micro Credit | Consortium | | |
| Working Capital | Micro Credit | Interest | | |
| Document | Plan | Collateral | | |
| EMI | Interest free loans | Term Loan | | |
| Long Term financing | Term Loan | Micro finance | | |
| FALSE | Insignificant | vague | | |
| Technical Feasibility | Software Development | Analytical Thinking | | |
| classical management | relations management | creative management | | |
| planning and leading | publicity and loss adjustment | plotting and leading | | |
| Training | Lateral | Courtesy | | |
| EDP | DEP | PDE | | |
| Cash Normal | Installment | Interest | | |
| Entrepreneur | Inventor | Investor | | |

| | | |
|---|--|------------------------------------|
| Slave | Owner | Employee |
| Administrative Domain | Entrepreneurship | Intrapreneurship |
| Women | Men | Drone |
| Person | Manager | Talent |
| Weak | Pessimistic | Optimistic |
| An enterprise | Worker | Employee |
| An Intrapreneur | A Worker | A Co-Worker |
| Plan | Promote | Select |
| An Intrapreneur | A Worker | A Co-Worker |
| Government Companies | Commercial Banks | Public Companies |
| People a short-term assistance. | Industrialisation long term assistance | Capital initial assistance |
| Term Loan | Part Loan | Home Loan |
| Banks | Individuals | Advisors |
| 2016 | 2006 | 2002 |
| Simple | Select | Small |
| Plant and Machinery | HR | Office |
| Equipment | HR | Office |
| Manufacturing | tools | office |
| Small | Medium | Large |
| Yes | No | may be |
| Small | Medium | Large |
| Yes | No | May be |
| Entrepreneurship | Enterprise | Enough |
| More than 10 Lakhs but less than 2 Crore | More than 2 Crore but Less than 5 Crore | More than 5 Crore |
| Micro, Small Medium Enterprise | Mini Sales Meet Engagement | Mini Standard Market Enterprise |
| less than 25 Lakhs | More than 10 Crore | More than 5 Crore |
| MSMED ACT, 2016 | MSMED ACT 2006 | MSMED Act 2002 |
| Expenditure | Capital | People |
| Manufacturing Industry | HR | Office |
| 25 Lakhs to 5 Crore | 5 Crore to 10 Crore | More than 10 Crore |
| Medium | Small | Large |

Answer

Crowd Funding

Factoring

Angel investors

Friends and Family

Micro Finance

Consortium Financing

Loan Syndication

FALSE

Seed Fund

Source of financing

Business Incubation

Venture Capital

Peer to Peer Lending

Commercial Banks

Business Plan

Venture Capital

Collateral

Appraisal

Term Loan

Short term financing

TRUE

Technical Feasibility

scientific management

planning and leading

Training

EDP

Interest

Entrepreneur

Owner

Intrapreneurship

Women

Funds

Optimistic

Owner Manager

A Worker

Project

Specialized

Organisations

Commercial Banks

Industrialisation

initial assistance

Loan Syndication

Banks

2006

Small

Plant and Machinery

Equipment

Manufacturing

Micro

No

Large

No

Enterprise

More than 2 Crore but

Less than 5 Crore

Micro, Small Medium

Enterprise

more than Rs. 25 lakh

but does not exceed Rs.

5 crore

MSMED ACT 2006

Investment

Service Industry

5 Crore to 10 Crore

Micro

UNIT-I – INTRODUCTION TO ENTREPRENEURSHIP

| |
|--|
| <p>Entrepreneurship - Definition - Nature and Characteristics of Entrepreneurship - Function and Type of Entrepreneurship Phases of EDP - Development of Women Entrepreneur and Rural Entrepreneur - Including Self Employment of Women Council Scheme.</p> |
|--|

MEANING OF ENTREPRENEUR AND ENTREPRENEURSHIP

- ❖ Entrepreneurship is the act of creating a business or businesses while building and scaling it to generate a profit.
- ❖ 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 can be of varying degrees and is not necessarily alike. It can be categorised into various subcategories, starting with small and home businesses to multidimensional industries that were started from the ground level.
- ❖ An *entrepreneur* is a person who undertakes a venture with some profit potential and involving a considerable amount of risk and therefore, entrepreneurship is the venture undertaken by the entrepreneur. The most obvious example of an entrepreneurship is the starting of a new business.
- ❖ An entrepreneur is a person who sets up a business with the aim to make a profit.

DEFINITION OF ENTREPRENEURSHIP

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

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

Characteristics of Entrepreneurship

Ability to take Risks

This is the first and foremost trait of an entrepreneurship. Starting any business involves a considerable amount of risk of failure. Therefore, the courage and capacity to take the said risk are essential for an entrepreneur.

Innovation

In a world, where almost everything has been done, innovation is a priceless gift to have. Innovation basically means generating a new idea with which you can start a business and achieve a substantial amount of profits. Innovation can be in the form of a product, i.e., launching a product that no one is selling in the market. It can also be in the form of process, i.e., doing the same work in a more efficient and economical way.

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An easy example of product innovation could be the launching of touch screen cell phones when the world was still using a keypad on cell phones.

Process innovation can be seen in capital-intensive industries that have to replace manual labour with machines, therefore, increasing their production and reducing their costs.

Another type of innovation can be the one concerned with usage. For examples, cell phones are now used for various functions such as viewing, creating and editing various files and documents, thus, eliminating the need for computers to a large extent.

Visionary

Every entrepreneur needs to be a visionary. Without a vision for the future of his venture, he or she would just be working aimlessly without reaching any point of success.

Leadership

An entrepreneur has a vision. However, it takes a lot of resources to turn that vision into reality. One of these resources are the people that the entrepreneur hires to perform various functions like production, supplying, accounting, etc.

A single person cannot perform all the tasks and therefore it is important to bring some more people to do it. This also makes leadership very important as a leader provides the required direction to the efforts of the employees. Without proper leadership, everyone would be working independently without achieving the desired results.

Open Minded

A good entrepreneur realizes that every situation can be a business opportunity. Thus can be utilized for the benefit of the organization. For example, Paytm realized the significance of

demonetization and recognized that the need for online transactions was more than ever during this time and so it utilized and grew massively during this period.

Confident and Well Informed

An entrepreneur needs to be confident about his ideas and skills. This confidence also inspires the confidence of the people working for him as well as the other stakeholders involved in his business.

This confidence comes from being well informed about the industry and environment. Various legal and political policies enhance business and trade opportunities, while some hinder them. Having a knowledge about these can really help an entrepreneur make the right decision at the right time.

MEANING AND DEFINITION OF ENTREPRENEUR

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

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

said, “An entrepreneur is an innovator playing the role of a dynamic businessman adding material growth to economic development”.

CHARACTERISTICS OF AN ENTREPRENEUR

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

- 1) An entrepreneur brings about change in the society. He is a catalyst of change.
- 2) Entrepreneur is action-oriented, highly motivated individual who takes risk to achieve goals.
- 3) Entrepreneur accepts responsibilities with enthusiasm and endurance.
- 4) Entrepreneur is thinker and doer, planner and worker.
- 5) Entrepreneur can foresee the future, seize market with a salesman’s persuasiveness, manipulate funds with financial talent and smell error, frauds and deficiencies with an auditor’s precisions.
- 6) Entrepreneur undertakes venture not for his personal gain alone but for the benefit of consumers, government and the society as well.
- 7) Entrepreneur builds new enterprises. He possesses intense level of determination and a desire to overcome hurdles and solves the problem and completes the job.
- 8) Entrepreneur finds the resources required to exploit opportunities.
- 9) Entrepreneur does extraordinary things as a function of vision, hard work, and passion. He challenges assumptions and breaks rules.

10) Although many people come up with great business ideas, most of them never act on their ideas.

RISKS INVOLVED WITH ENTREPRENEURSHIP

Entrepreneurship involves the following types of risks.

1) Financial Risk

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

2) Personal Risk

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

3) Carrier Risk

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

DIFFERENCE BETWEEN ENTREPRENEUR AND INTRAPRENEUR

As both entrepreneur and intrapreneur share similar qualities like conviction, creativity, zeal and insight, the two are used interchangeably. However, the two are different, as an **entrepreneur** is a person who takes a considerable amount of risk to own and operate the business, with an aim of earning returns and rewards, from that business. He is the most important person who envisions new opportunities, products, techniques and business lines and coordinates all the activities to make them real.

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On the contrary, an **intrapreneur** is an employee of the organization who is paid remuneration according to the success of the business unit, for which he/she is hired or responsible.

The primary difference between an entrepreneur and intrapreneur is that the former refers to a person who starts his own business with a new idea or concept, the latter represents an employee who promotes innovation within the limits of the organization. In this article excerpt, we are providing you with some other important points of distinction between the two.

| BASIS FOR COMPARISON | ENTREPRENEUR | INTRAPRENEUR |
|----------------------|---|--|
| Meaning | Entrepreneur refers to a person who set up his own business with a new idea or concept. | Intrapreneur refers to an employee of the organization who is in charge of undertaking innovations in product, service, process etc. |
| Approach | Intuitive | Restorative |
| Resources | Uses own resources. | Use resources provided by the company. |
| Capital | Raised by him. | Financed by the company. |
| Enterprise | Newly established | An existing one |

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| BASIS FOR COMPARISON | ENTREPRENEUR | INTRAPRENEUR |
|----------------------|--|--|
| Dependency | Independent | Dependent |
| Risk | Borne by the entrepreneur himself. | Taken by the company. |
| Works for | Creating a leading position in the market. | Change and renew the existing organizational system and culture. |

FACTORS AFFECTING ENTREPRENEURSHIP DEVELOPMENT

Entrepreneurship is influenced by four distinct factors: economic development, culture, technological development and education. In areas where these factors are present, you can expect to see strong and consistent entrepreneurial growth.

Economic Factors

Economic environment exercises the most direct and immediate influence on entrepreneurship. This is likely because people become entrepreneurs due to necessity when there are no other jobs or because of opportunity.

The economic factors that affect the growth of entrepreneurship are the following:

1. Capital

Capital is one of the most important factors of production for the establishment of an enterprise. Increase in capital investment in viable projects results in increase in profits which

help in accelerating the process of capital formation. Entrepreneurship activity too gets a boost with the easy availability of funds for investment.

Availability of capital facilitates for the entrepreneur to bring together the land of one, machine of another and raw material of yet another to combine them to produce goods. Capital is therefore, regarded as lubricant to the process of production.

France and Russia exemplify how the lack of capital for industrial pursuits impeded the process of entrepreneurship and an adequate supply of capital promoted it.

2. Labor

Easy availability of right type of workers also effect entrepreneurship. The quality rather than quantity of labor influences the emergence and growth of entrepreneurship. The problem of labor immobility can be solved by providing infrastructural facilities including efficient transportation.

3. Raw Materials

The necessity of raw materials hardly needs any emphasis for establishing any industrial activity and its influence in the emergence of entrepreneurship. In the absence of raw materials, neither any enterprise can be established nor can an entrepreneur be emerged

4. Market

The role and importance of market and marketing is very important for the growth of entrepreneurship. In modern competitive world no entrepreneur can think of surviving in the absence of latest knowledge about market and various marketing techniques.

5. Infrastructure

Expansion of entrepreneurship presupposes properly developed communication and transportation facilities. It not only helps to enlarge the market, but expand the horizons of business too. Take for instance, the establishment of post and telegraph system and construction of roads and highways in India. It helped considerable entrepreneurial activities which took place in the 1850s.

Environment Factors

1. Caste Factor

There are certain cultural practices and values in every society which influence the' actions of individuals. These practices and value have evolved over hundred of years. For instance, consider the caste system (the varna system) among the Hindus in India. It has divided the population on the basis of caste into four division. The Brahmana (priest), the Kshatriya (warrior), the Vaishya (trade) and the Shudra (artisan): It has also defined limits to the social mobility of individuals.

2. Family Background

This factor includes size of family, type of family and economic status of family. In a study by Hadimani, it has been revealed that Zamindar family helped to gain access to political power and exhibit higher level of entrepreneurship.

3. Education

Education enables one to understand the outside world and equips him with the basic knowledge and skills to deal with day-to-day problems. In any society, the system of education has a significant role to play in inculcating entrepreneurial values.

4. Attitude of the Society

A related aspect to these is the attitude of the society towards entrepreneurship. Certain societies encourage innovations and novelties, and thus approve entrepreneurs' actions and rewards like profits. Certain others do not tolerate changes and in such circumstances, entrepreneurship cannot take root and grow. Similarly, some societies have an inherent dislike for any money-making activity.

5. Cultural Value

Motives impel men to action. Entrepreneurial growth requires proper motives like profit-making, acquisition of prestige and attainment of social status. Ambitious and talented men would take risks and innovate if these motives are strong. The strength of these motives depends upon the culture of the society

Psychological Factors

Many entrepreneurial theorists have propounded theories of entrepreneurship that concentrate especially upon psychological factors. These are as follows :

1. Need Achievement
2. Withdrawal of Status Respect
3. Motives

4. Others

ENTREPRENEURIAL PROCESS

Entrepreneurship is a process, a journey, not the destination; a means, not an end. All the successful entrepreneurs like Bill Gates (Microsoft), Warren Buffet (Hathaway), Gordon Moore (Intel) Steve Jobs (Apple Computers), Jack Welch (GE) GD Birla, Jamshedji Tata and others all went through this process.

To establish and run an enterprise it is divided into three parts – the entrepreneurial job, the promotion, and the operation. Entrepreneurial job is restricted to two steps, i.e., generation of an idea and preparation of feasibility report. In this article, we shall restrict ourselves to only these two aspects of entrepreneurial process.

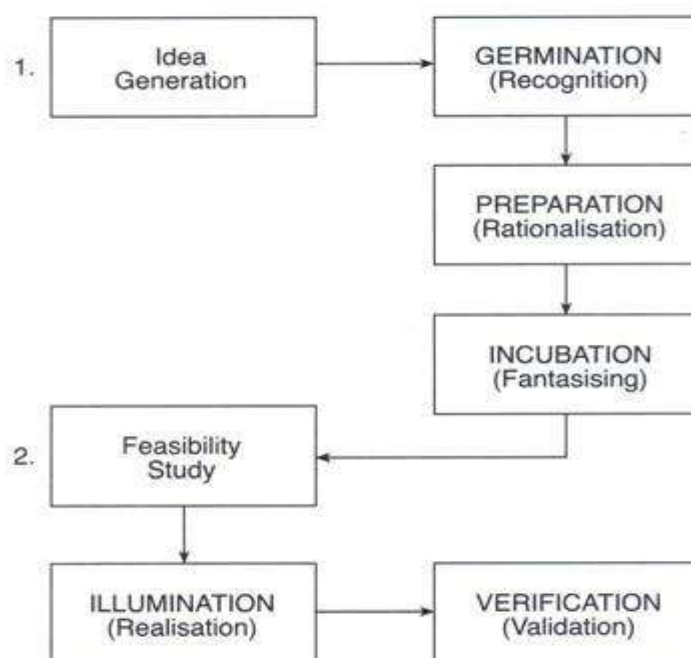


Figure 4.1: The Entrepreneurial Process

1. Idea Generation:

To generate an idea, the entrepreneurial process has to pass through three stages:

a. Germination

This is like seeding process, not like planting seed. It is more like the natural seeding. Most creative ideas can be linked to an individual's interest or curiosity about a specific problem or area of study.

b. Preparation

Once the seed of interest curiosity has taken the shape of a focused idea, creative people start a search for answers to the problems. Inventors will go on for setting up laboratories; designers will think of engineering new product ideas and marketers will study consumer buying habits.

c. Incubation

This is a stage where the entrepreneurial process enters the subconscious intellectualization. The sub-conscious mind joins the unrelated ideas so as to find a resolution.

2. Feasibility study

Feasibility study is done to see if the idea can be commercially viable.

It passes through two steps:

a. Illumination

After the generation of idea, this is the stage when the idea is thought of as a realistic creation. The stage of idea blossoming is critical because ideas by themselves have no meaning.

b. Verification

This is the last thing to verify the idea as realistic and useful for application. Verification is concerned about practicality to implement an idea and explore its usefulness to the society and the entrepreneur.

IMPORTANCE OF ENTREPRENEURSHIP

1. Development of managerial capabilities

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

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

2. Creation of organisations

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

3. Improving standards of living

By creating productive organisations, entrepreneurship helps in making a wide variety of goods and services available to the society which results into higher standards of living for the people. Possession of luxury cars, computers, mobile phones, rapid growth of shopping malls,

etc. are pointers to the rising living standards of people, and all this is due to the efforts of entrepreneurs.

4. Means of economic development

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

TYPES OF ENTREPRENEURS

Depending upon the level of willingness to create innovative ideas, there can be the following types of entrepreneurs:



1. Innovative entrepreneurs

These entrepreneurs have the ability to think newer, better and more economical ideas of business organisation and management. They are the business leaders and contributors to the economic development of a country.

Inventions like the introduction of a small car 'Nano' by Ratan Tata, organised retailing by Kishore Biyani, making mobile phones available to the common man by Anil Ambani are the works of innovative entrepreneurs.

2. Imitating entrepreneurs

These entrepreneurs are people who follow the path shown by innovative entrepreneurs. They imitate innovative entrepreneurs because the environment in which they operate is such that it does not permit them to have creative and innovative ideas on their own.

Such entrepreneurs are found in countries and situations marked with weak industrial and institutional base which creates difficulties in initiating innovative ideas.

In our country also, a large number of such entrepreneurs are found in every field of business activity and they fulfill their need for achievement by imitating the ideas introduced by innovative entrepreneurs.

Development of small shopping complexes is the work of imitating entrepreneurs. All the small car manufacturers now are the imitating entrepreneurs.

3. Fabian entrepreneurs

The dictionary meaning of the term 'fabian' is 'a person seeking victory by delay rather than by a decisive battle'. Fabian entrepreneurs are those individuals who do not show initiative in visualising and implementing new ideas and innovations wait for some development which would motivate them to initiate unless there is an imminent threat to their very existence.

4. Drone entrepreneurs

The dictionary meaning of the term ‘drone’ is ‘a person who lives on the labor of others’. Drone entrepreneurs are those individuals who are satisfied with the existing mode and speed of business activity and show no inclination in gaining market leadership. In other words, drone entrepreneurs are die-hard conservatives and even ready to suffer the loss of business.

5. Social Entrepreneur

Social entrepreneurs drive social innovation and transformation in various fields including education, health, human rights, workers’ rights, environment and enterprise development.

They undertake poverty alleviation objectives with the zeal of an entrepreneur, business practices and dare to overcome traditional practices and to innovate. Dr Mohammed Yunus of Bangladesh who started Grameen Bank is a case of social entrepreneur.

FUNCTIONS OF AN ENTREPRENEUR

The important functions performed by an entrepreneur are listed below:

1. Innovation

An entrepreneur is basically an innovator who tries to develop new technology, products, markets, etc. Innovation may involve doing new things or doing existing things differently. An entrepreneur uses his creative faculties to do new things and exploit opportunities in the market. He does not believe in status quo and is always in search of change.

2. Assumption of Risk

An entrepreneur, by definition, is risk taker and not risk shirker. He is always prepared for assuming losses that may arise on account of new ideas and projects undertaken by him. This willingness to take risks allows an entrepreneur to take initiatives in doing new things and marching ahead in his efforts.

3. Research

An entrepreneur is a practical dreamer and does a lot of ground-work before taking a leap in his ventures. In other words, an entrepreneur finalizes an idea only after considering a variety of options, analyzing their strengths and weaknesses by applying analytical techniques, testing their applicability, supplementing them with empirical findings, and then choosing the best alternative. It is then that he applies his ideas in practice. The selection of an idea, thus, involves the application of research methodology by an entrepreneur.

4. Development of Management Skills

The work of an entrepreneur involves the use of managerial skills which he develops while planning, organizing, staffing, directing, controlling and coordinating the activities of business. His managerial skills get further strengthened when he engages himself in establishing equilibrium between his organization and its environment.

However, when the size of business grows considerably, an entrepreneur can employ professional managers for the effective management of business operations.

5. Overcoming Resistance to Change

New innovations are generally opposed by people because it makes them change their existing behavior patterns. An entrepreneur always first tries new ideas at his level.

It is only after the successful implementation of these ideas that an entrepreneur makes these ideas available to others for their benefit. In this manner, an entrepreneur paves the way for the acceptance of his ideas by others. This is a reflection of his will power, enthusiasm and energy which helps him in overcoming the society's resistance to change.

6. Catalyst of Economic Development

An entrepreneur plays an important role in accelerating the pace of economic development of a country by discovering new uses of available resources and maximizing their utilization.

To better appreciate the concept of an entrepreneur, it is desirable to distinguish him from an entrepreneur and promoter. Table 4.1 outlines the distinction between an entrepreneur and entrepreneurs, and Table 4.2 portrays basic points of distinction between an entrepreneur and promoter.

It is said that an economy is an effect for which entrepreneurship is a cause. Entrepreneurship development has, therefore, become a matter of great concern in all developed and developing countries all over the world. But the real problem is how to develop entrepreneurship. Entrepreneurship development programme(EDP) are deemed to offer the solution of this problem.

PHASES OF EDP

Phase of EDP



I. Initial or Pre-training phase

II. Training or Development phase

III. Post training or follow-up phase

I. Pre-Training

Pre-training phase consists of all activities and preparation to launch training programme.

Pre-training phase of EDP consists of the following activities :

1.Designing course-curriculum for training

It is essential for any EDP that whatever material for study or training is designed should fulfil the needs or purpose of the EDP. The main objectives to be kept in mind while designing the course curriculum are as follows:

- a) To provide knowledge and information regarding entrepreneurship, role of entrepreneur in economic development and available facilities regarding establishment of enterprise to prospective entrepreneurs.
- b) To provide motivation training to the prospective entrepreneurs in order to develop right approach and behaviour towards business.
- c) To provide and arrange for necessary course material important for management and technical information.
- d) To collect and provide information regarding various agencies engaged in providing assistance to entrepreneurs to establish and run the enterprises.
- e) To provide various project reports so that they can study and analyse the feasibility of various projects with regard to marketing, technical and financial aspects.
- f) Arranging plant visits so that they may become familiar with real life situations. This will help in inculcating the right behaviour and thoughts and in developing a strong personality.

2. Selection of faculty

The success of an EDP depends upon able or well qualified experienced faculty or resource persons. Thus selection of the proper faculty is an important part of pre-training

phase. For this teacher from various universities, professional institutes, banks, research and development fields are invited.

3. Advertisement

Next important task is giving advertisement for EDP to be conducted. So that maximum number of candidates can participate. Advertisement can be given in local newspaper, educational institutes or employment exchange.

4. Selection of potential or perspective Entrepreneurs

For the success an EDP it is essential that only those participants take part who really have qualities to be potential entrepreneurs. The selection of prospective entrepreneurs can be made on following basis:

- i. On the basis of information available from application form.
- ii. On the basis of written examination to check the aptitude.
- iii. On the basis of personal interview of the candidate.

II. Training phase

The main objective of this phase is to bring desirable change in the behaviour of the trainees. The purpose of training is to develop 'need for achievement' i.e. motivation among the trainees. Accordingly, a trainer should see the following changes in the behaviour of trainees:

- Is he or she attitudinally tuned very much towards his or her proposed project idea?
- Is the trainee motivated to plunge into entrepreneurial career and bear risks involved in it?
- How should he or she behave like an entrepreneur?

- What kinds of entrepreneurial traits the trainee lacks the most?
- Does the trainees possess the required skill in selecting the viable project, mobilizing the required resources at the right time?

There are number of methods to provide Training:

1.Lecture method

In this method the instructor directly communicates with the participant with regard to theory and practice to be followed. The advantage of this method is that queries or doubts in the mind of candidates are cleared on the spot.

2. Written instructions method

Under this method written material is provided to the participants for their use. All important factors or elements required for setting up and running an enterprise are provided in written form.

3. Demonstration or practical method

For better understanding of the candidates everything related to entrepreneurship is taught by demonstrations. Every minute detail is explained by giving demonstrations for the practical performance of the work.

4. Conferences

Under conference method, experts in various fields are invited to share their ideas with the participants. The aim is to provide knowledge to trainees for improving their effectiveness.

5. Meetings

Meetings provide opportunities to candidates to discuss various problems faced by them. They discuss exchange ideas on various issues at firm conclusion

6. Individual training

Under these circumstances where one person is to be given information or knowledge on a particular aspect, then individual training is imparted.

7. Group training

This method of training is best suited where group of individuals has to do similar type of work and where similar type of instructions are to be given to all of them.

III. Post-training phase

The ultimate objective of the entrepreneurship development programme is to prepare the participants to start their enterprise. The success of the EDP can be judged from the objectives it has achieved, that is how many participants actually started their own enterprise after getting training. This phase involves assessment to judge how far the objectives of the program have been achieved. This is called Follow-up. In follow up following three things come:

- Was the programme conducted as per plans?
- If not what were the deviations, loopholes in the plan?
- Taking Corrective action to improve the weaknesses after identifying them?

WOMEN ENTREPRENEUR

Women entrepreneur may be defined as a woman or group of women who initiate, organize, and run a business enterprise. In terms of Schumpeterian concept of innovative

entrepreneurs, women who innovate, imitate or adopt a business activity are called “women entrepreneurs”.

Kamal Singh who is a woman entrepreneur from Rajasthan, has defined woman entrepreneur as “a confident, innovative and creative woman capable of achieving self-economic independence individually or in collaboration, generates employment opportunities for others through initiating, establishing and running the enterprise by keeping pace with her personal, family and social life.”

1. Problem of Finance

Finance is regarded as “life-blood” for any enterprise, be it big or small. However, women entrepreneurs suffer from shortage of finance on two counts.

Firstly, women do not generally have property on their names to use them as collateral for obtaining funds from external sources. Thus, their access to the external sources of funds is limited.

Secondly, the banks also consider women less credit-worthy and discourage women borrowers on the belief that they can at any time leave their business. Given such situation, women entrepreneurs are bound to rely on their own savings, if any and loans from friends and relatives who are expectedly meager and negligible. Thus, women enterprises fail due to the shortage of finance.

2. Scarcity of Raw Material

Most of the women enterprises are plagued by the scarcity of raw material and necessary inputs. Added to this are the high prices of raw material, on the one hand, and getting raw

material at the minimum of discount, on the other. The failure of many women co-operatives in 1971 engaged in basket-making is an example how the scarcity of raw material sounds the death-knell of enterprises run by women (Gupta and Srinivasan 2009).

3. Stiff Competition

Women entrepreneurs do not have organizational set-up to pump in a lot of money for canvassing and advertisement. Thus, they have to face a stiff competition for marketing their products with both organized sector and their male counterparts. Such a competition ultimately results in the liquidation of women enterprises.

4. Limited Mobility

Unlike men, women mobility in India is highly limited due to various reasons. A single woman asking for room is still looked upon suspicion. Cumbersome exercise involved in starting an enterprise coupled with the officials humiliating attitude towards women compels them to give up idea of starting an enterprise.

5. Family Ties

In India, it is mainly a women's duty to look after the children and other members of the family. Man plays a secondary role only. In case of married women, she has to strike a fine balance between her business and family. Her total involvement in family leaves little or no energy and time to devote for business.

Support and approval of husbands seem necessary condition for women's entry into business. Accordingly, the educational level and family background of husbands positively influence women's entry into business activities.

6. Lack of Education

In India, around three-fifths (60%) of women are still illiterate. Illiteracy is the root cause of socio-economic problems. Due to the lack of education and that too qualitative education, women are not aware of business, technology and market knowledge. Also, lack of education causes low achievement motivation among women. Thus, lack of education creates one type or other problems for women in the setting up and running of business enterprises.

7. Male-Dominated Society

Male chauvinism is still the order of the day in India. The Constitution of India speaks of equality between sexes. But, in practice, women are looked upon as abla, i.e. weak in all respects. Women suffer from male reservations about a women's role, ability and capacity and are treated accordingly. In nutshell, in the male-dominated Indian society, women are not treated equal to men. This, in turn, serves as a barrier to women entry into business.

8. Low Risk-Bearing Ability

Women in India lead a protected life. They are less educated and economically not self-dependent. All these reduce their ability to bear risk involved in running an enterprise. Risk-bearing is an essential requisite of a successful entrepreneur.

In addition to above problems, inadequate infrastructural facilities, shortage of power, high cost of production, social attitude, low need for achievement and socioeconomic constraints also hold the women back from entering into business.

Right efforts on all areas are required in the development of women entrepreneurs and their greater participation in the entrepreneurial activities. Following efforts can be taken into account for effective development of women entrepreneurs.

1. Consider women as specific target group for all developmental programmes.
2. Better educational facilities and schemes should be extended to women folk from government part.
3. Adequate training programmes on management skills to be provided to women community.
4. Encourage women's participation in decision-making.
5. Vocational training to be extended to women community that enables them to understand the production process and production management.
6. Skill development to be done in women's polytechnics and industrial training institutes. Skills are put to work in training-cum-production workshops.
7. Training on professional competence and leadership skill to be extended to women entrepreneurs.
8. Training and counselling on a large scale of existing women entrepreneurs to remove psychological causes like lack of self-confidence and fear of success.
9. Counselling through the aid of committed NGOs, psychologists, managerial experts and technical personnel should be provided to existing and emerging women entrepreneurs.
10. Continuous monitoring and improvement of training programmes.

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11. Activities in which women are trained should focus on their marketability and profitability.
12. Making provision of marketing and sales assistance from government part.
13. To encourage more passive women entrepreneurs the Women training programmes should be organized that taught to recognize her own psychological needs and express them.
14. State finance corporations and financing institutions should permit by statute to extend purely trade related finance to women entrepreneurs.
15. Women's development corporations have to gain access to open-ended financing.
16. The financial institutions should provide more working capital assistance both for small scale venture and large scale ventures.
17. Making provision of micro credit system and enterprise credit system to the women entrepreneurs at local level.
18. Repeated gender sensitization programmes should be held to train financiers to treat women with dignity and respect as persons in their own right.
19. Infrastructure, in the form of industrial plots and sheds, to set up industries is to be provided by state run agencies.
20. Industrial estates could also provide marketing outlets for the display and sale of products made by women.
21. A Women Entrepreneur's Guidance Cell set up to handle the various problems of women entrepreneurs all over the state.

22. District Industries Centers and Single Window Agencies should make use of assisting women in their trade and business guidance.
23. Programmes for encouraging entrepreneurship among women are to be extended at local level.
24. Training in entrepreneurial attitudes should start at the high school level through well-designed courses, which build confidence through behavioural games.
25. More governmental schemes to motivate women entrepreneurs to engage in small scale and large-scale business ventures.
26. Involvement of Non Governmental Organizations in women entrepreneurial training programmes and counselling.

RURAL ENTREPRENEUR

Rural entrepreneurs are those who carry out entrepreneurial activities by establishing industrial and business units in the rural sector of the economy. In other words, establishing industrial and business units in the rural areas refers to rural entrepreneurship. In simple words, rural entrepreneurship implies entrepreneurship emerging in rural areas. Or, say, rural entrepreneurship implies rural industrialisation. Thus, we can say, entrepreneurship precedes industrialization.

Definition

Rural industries and business organisations in rural areas generally associated with agriculture and allied activities to agriculture. According to KVIC (Khadi and Village Industry Commission), "village industries or Rural industry means any industry located in rural areas,

population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees".

The modified definition of rural industries has been given by Government of India in order to enlarge its scope. According to Government of India, "Any industry located in rural area, village or town with a population of 20,000 and below and an investment of Rs. 3 crores in plant and machinery is classified as a village industry."

Types of Rural Industries

All the village industries come under the following broad categories :

Agro Based Industries: like sugar industries, jaggery, oil processing from oil seeds, pickles, fruit juice, spices, dairy products etc.

Forest Based Industries: like wood products, bamboo products, honey, coir industry, making eating plates from leaves.

Mineral based industry: like stone crushing, cement industries, red oxide making, wall coating powders etc.

Textile Industry: like spinning, weaving, colouring, bleaching.

Engineering and Services: like agriculture equipments, tractors and pumpsets repairs etc.

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DEPARTMENT OF COMMERCE

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VI SEMESTER

PART - B

POSSIBLE QUESTIONS

1. Define the term entrepreneur
2. State any two qualities of entrepreneur.
3. Give the meaning of rural entrepreneur
4. What is meant by women entrepreneur?
5. List out the type of entrepreneurs?
6. State the difference between entrepreneur and entrepreneur
7. Give the meaning of entrepreneurship
8. What are the types of rural entrepreneurs?
9. List out the problems faced by women entrepreneurs?
10. What are the phases of EDP?

PART - C

POSSIBLE QUESTIONS

1. Define the term entrepreneur and explain the qualities of an entrepreneur.
2. Discuss the scope and significance of entrepreneurship in india?
3. Discuss the problems of women entrepreneurship and measures taken to solve their problems?
4. Explain the various types of entrepreneurs with suitable examples.
5. How an entrepreneur is a risk taker and an innovator? Explain with suitable example.
6. Define entrepreneurship and elaborate on its scope and vital role in developing economics.
7. Distinguish between the Entrepreneur and Manager .
8. Explain the important traits required to be successful entrepreneur. Give examples.
9. Determine the various factors affecting entrepreneurship
10. Define rural entrepreneurship and explain its types with examples?

| Questions | Option 1 |
|--|---|
| Entrepreneurs are | High Risk Takers |
| The entrepreneurial process is comprised of each of the following steps EXCEPT: | Deciding to be an Entrepreneur |
| Which of the following is not an Idea Generation tool | Brainstorming |
| _____ is what the "W" in the SWOT analysis stand for | Work life balance |
| Angel investors | Demand collateral |
| Brainstorming is | An idea Generation Tool |
| Which of the following are considered sources of business idea | Work experiences, skill, abilities |
| An individual who creates something new for the first time, is a highly driven individual motivated by his / her own work and personal ideas | Inventor |
| An entrepreneur falls in love with the new | Invention |
| The internet as a source of information can provide the entrepreneur with: | Information on negative attitudes from people |
| Strategic Management consist of Three phases; which of the following is not a phase - | Strategy Performance |
| Which of the following characteristics that are not found in an entrepreneur? | Independent Minded |
| Which of the following are risks for an entrepreneur in a small business? | Psychological Stress |
| According to theory, which of the following is the function least well done? | Planning |
| Which of the following is not a common motivation of an entrepreneur? | Desire for independence. |
| People who work for someone else? | Entrepreneur |
| Which one is not the method in problem solving? | Ignore the Problem |
| Entrepreneurship contribute to | Economic Growth |
| _____ is an activity that generate business ideas | Brainstorming |
| Which is the type of finance that an entrepreneur operates with the resources he poses | Crowd funding |
| What are the sources of entrepreneurial motivation | Internal |
| What are the two biggest challenges for graduate entrepreneurs? | Lack of Business skill and access to finance |
| What is the need of entrepreneurship | To fill the gap in growth |

| | |
|--|--|
| A voluntary association of two or more people to act as co owners of a business and share profit | Friends |
| A Business owned by a single person | Private Limited Company |
| A company that grants license to market the product or services | Corporation |
| The amount paid by the Franchisee to Franchisor | Bribe |
| _____ is the process of finding the economic value of the company | Crowd funding |
| Which is NOT an exit Strategy? | Merge |
| Which is the obligations of a franchisee | Paying the Franchise fee |
| Two or more franchised businesses that share space to offer a more comprehensive product or service to customers. | Piggyback |
| The right to use a specific business name and sell its goods or services in a specific place | Franchisor |
| A _____ is a mid and long range planning | Strategic Plan |
| Have a shared entrepreneurial vision, shared passion for creation of innovative customer value and shared commitment to the new venture. | Investors |
| Which is NOT the theory of entrepreneurship | Economic |
| The simplest form of Business Ownership | Partnership |
| Which of the following is the advantage of Sole Proprietorship | Ease to start and wind up |
| The most effective form of business organization for raising capital is the: | Partnership |
| The major advantage of a franchise is: | Training and Management Assistance |
| The main disadvantage of a partnership firm is | Unlimited liability on the partners |
| The form of business that has largest sales volume | Partnership |
| Which of the following is among the requirements to be a successful franchisee? | Willing to work long hours |
| The most important single element for the prospective franchisee to investigate is: | Site Selection Assistance |
| The different forms of Franchising | Business Format |
| Which business is not an example of Franchising | McDonald |
| What is the best valuation method to be adopted for a quickly growing business | Net Present Value |
| When should you spell out your exit strategy for investors? | in your annual report to investors once the business is up and running |

| | |
|---|---|
| The best definition of a sole trader form of business organisation is: | Single person is employed |
| Which of the following is NOT a feature of a private limited company? | Shares can be issued to raise Capital |
| One of the major drawback of a public limited company | There can be a loss of control to the original owners as additional shares are sold |
| Which of the statement is best applied to the Public Limited Company | Easy to Start and WindUp |
| A form of business organization that is authorized to act as a legal entity regardless of the number of owners. | Corporation |
| Nike, IBM, Google are examples of | Partnership |
| Which of the following is NOT an example of a business organisation? | Partnership |
| A company or individual who pays for the legal right to use the product, service, or format of another is called a: | Franchisor |
| When deciding which franchise to purchase, which of the following aspects should be considered? | Potential Growth of the Business |
| Franchisees that have the right to run franchise on territorial basis | Single Unit Franchise |
| Which is not financing of entrepreneurial ventures | Bootstrapping |
| An investor that provides capital to firms exhibiting high growth potential in exchange for an equity stake. | Banks |
| Small Loans | Micro Credit |

| Option 2 | Option 3 | Option 4 | Option 5 | Option 6 |
|---|--|------------------------------------|----------|----------|
| Moderate Risk Takers | Small risk Takers | Never Mind | | |
| Inventing a new product / process | Managing and growing the entrepreneurial firm | Taking idea to business | | |
| Mindmapping | Brainwriting | Crowdfunding | | |
| Worth | Wedge | Weakness | | |
| provide fund for ideas | Heavenly creatures | Invest only in successful ventures | | |
| Surgery on Brain | Damage of Brain | Brain Disease | | |
| familiar and unfamiliar products and services | Personal Interest or hobbies | All of the Above | | |
| Entrepreneur | Innovator | None of the above | | |
| Business venture | Industry | None of the above | | |
| Information regarding new developments in products and services | Information on difficult steps for entrepreneurs | No Information at all | | |
| Strategy Formation | Strategy Implementation | Strategy Evaluation | | |
| Self Confident | Follower | Perceptive | | |
| Interference with personal life | Social and Family Pressure | All of the Above | | |
| Organising | Scheduling | Controlling | | |
| Search for personal and professional growth. | Desire to maintain the status quo. | Search for more rewarding work. | | |
| Employee | Entrepreneurship | Aptitude | | |
| Gather Information | Identify the problem | Provide solution | | |
| Job Creation | Career Opportunities for Women and Minorities | All of the Above | | |
| Dreaming | Physical Exercise | Examinations | | |
| Boot strapping | Bank | IPO | | |
| External | Both internal and external | Neither internal nor external | | |
| Loosing contact with the college and forget what is learned | Multiple Job Offers and high salaries | Support system and team | | |
| For Healthy Competition | To Amass wealth | None of the above | | |

| | | | | |
|------------------------------------|---|---------------------------|--|--|
| Partners | Sole propreitorship | Banks | | |
| Limited Liability Partnership | Corporation | Solepropreitorship | | |
| Public Limited Company | Franchisor | Solepropreitorship | | |
| salary | Tuition Fee | Franchise Fee | | |
| Valuation | Franchising | Examinations | | |
| Acquisition | Debt Equity Exchange | Brainstorming | | |
| Making Minimum Investment | Maintain Quality Standards | All of the Above | | |
| Area Franchising | Single Unit | Sub Franchising | | |
| Franchisee | Franchise | Dealer | | |
| Value | Belief | Philosophy | | |
| Entrepreneurial Team | Managers | Sports Team | | |
| Sociological | Anthropological | Clinical | | |
| Corporation | Sole Propreitorship | Cooperative | | |
| Pride of Ownership | Ones own boss | All of the Above | | |
| Corporation | Sole propreitorship | Joint Venture | | |
| Personal Ownership | Recognised name | All of the Above | | |
| Shared Management | Disagreement among partners | Difficulty of termination | | |
| Corporation | Cooperative | Sole Propreitorship | | |
| Willing to make personal sacrifice | Be an organised man | All of the Above | | |
| Startup Cost | Franchisor | Franchise Fee | | |
| Piggyback | Single Unit | All of the Above | | |
| KFC | Ibaco | Southern Railway | | |
| Future Earnings | Book Value | Market Based | | |
| in your business plan | Once the business starts showing net profit | when there is a loss | | |

| | | | | |
|--|---|---|--|--|
| Single person is the owner | Single Customer | Single firm | | |
| Limited Liability for share holders | Business continues after the death of Share holder | Shares can be bought and sold on stock exchange | | |
| Firms in the public sector are less efficient | If company fails shareholders will loose all their assets | Workers have to be consulted before any major decisions | | |
| It is owned by shareholders who can sell their shares in stock exchanges | Its accounts can be kept private | It is owned by the Government | | |
| Partnership | Distributor | Dealer | | |
| Franchisee | Corporation | Distributor | | |
| Sole Trader | Employee | Corporation | | |
| Intrapreneur | Franchisee | Lunatic | | |
| Profitability of the Business | Whether you enjoy the line of business | All of the Above | | |
| Area Franchising | Piggyback | Lunatic | | |
| Crowdfunding | Angel Investors | Trainers | | |
| Venture Capitalists | Franchisee | Dealer | | |
| IPO | Equity | Inventory | | |

| Answers |
|---|
| Moderate Risk Takers |
| Inventing a new product / process |
| Crowdfunding |
| Weakness |
| provide fund for ideas |
| An idea Generation Tool |
| All of the Above |
| Inventor |
| Business venture |
| Information regarding new developments in products and services |
| Strategy Performance |
| Follower |
| All of the Above |
| Planning |
| Desire to maintain the status quo. |
| Employee |
| Ignore the Problem |
| All of the Above |
| Brainstorming |
| Boot strapping |
| Both internal and external |
| Lack of Business skill and access to finance |
| To fill the gap in growth |

| |
|-------------------------------------|
| Partners |
| Solepropreitorship |
| Franchisor |
| Franchise Fee |
| Valuation |
| Brainstorming |
| All of the Above |
| Piggyback |
| Franchise |
| Strategic Plan |
| Entrepreneurial Team |
| Clinical |
| Sole Propreitorship |
| All of the Above |
| Corporation |
| All of the Above |
| Unlimited liability on the partners |
| Corporation |
| All of the Above |
| Franchisor |
| All of the Above |
| Southern Railway |
| Future Earnings |
| in your business plan |

| |
|---|
| Single person is the owner |
| Shares can be bought and sold on stock exchange |
| There can be a loss of control to the original owners as additional shares are sold |
| It is owned by shareholders who can sell their shares in stock exchanges |
| Corporation |
| Corporation |
| Employee |
| Franchisee |
| All of the Above |
| Area Franchising |
| Trainers |
| Venture Capitalists |
| Micro Credit |

UNIT-II – PROJECT MANAGEMENT

The Start-Up Process - Project Identification - Selection of the Product - Project Formulation - - Evaluation - Feasibility analysis - Project Report

MEANING OF PROJECT

Gittinger defines project “as the whole complex of activities involved in using resources to gain benefits”. An entrepreneur implements a project overcoming various hurdles, with a view to get some benefits - mainly monetary rewards. The entrepreneur originates the idea, makes a detailed study of the various aspects of the project to be implemented, estimates the profit that would accrue from the project, and finally implements it.

PROJECT LIFE CYCLE

A project has to pass through three distinct stages :

1. The Pre-investment Stage : It covers setting of aims and objectives, forecasting of demand, selection of best means or strategies to achieve objectives, evaluation of characteristics of resources or inputs required, projection of financial plan, cost-benefit analysis and ultimately, the pre-investment appraisal. The project idea is converted into a concrete investment proposal or scheme on which promoters and financiers can base their investment decision.
2. The Construction Stage : It starts after the investment decision is taken. Resources in the form of land and buildings, plant and machinery, transport, communication and other

services, control systems, sales, and marketing organisation, managerial personnel, acquisition of materials and supplies, etc., are assembled and all these resources are allocated to develop or create a tangible project which is ready to achieve the set objectives.

3. The Normalisation Stage : The allocated resources of assets (created during the second stage) are utilised or employed to produce the end results, i.e., output of goods or services which are required to fulfill the project objectives. The project starts operating, i.e., processing inputs and generating outputs.

PROJECT IDENTIFICATION

With the clear idea of projects in mind, let's now see how the feasible projects can be identified. The prospective entrepreneur may have a number of fertile project ideas. He may come across several investment opportunities. However, after preliminary evaluation, he has to select the most feasible and promising project. The proper identification and selection of a project ensures success of an enterprise. Project identification is the first step of starting a new nature but it is a difficult task.

In simple words project identification means a process of finding out the most appropriate project from among the several investment opportunities According to Dr. Vasant Desai the project identification is concerned with the collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment.

In this context, it would be appropriate to refer to Peter Drucker who has explained three kinds of opportunities, as under.

1. Additive opportunities - These are concerned with utilization of existing resources without making any changes. There is least risk in additive opportunities
2. Complementary opportunities - These are concerned with the introduction of new ideas, which lead to change in the existing structure. There is greater risk in complementary opportunities.
3. Breakthrough opportunities - These are concerned with drastic and fundamental changes in the existing business. There is the greatest risk in breakthrough opportunities.

Steps in Project Identification

For identifying the feasible projects, the prospective entrepreneur has to go through following steps.

Conceiving project ideas

This is the first important stage in project identification. Profit making is the chief drive behind every business / enterprise. Therefore the prospective entrepreneur has to search for a sound business idea, which can generate reasonable profit for him. For that, he has to screen keenly the socio-economic, cultural, legal and market environments. After conceiving the business idea, he gives a practical shape to his idea. You would perhaps remember that the business idea of giving readymade flavour of 'paan' like paanpatti to the customers was first conceived by Madanlal Kothari. He didn't have business background but he pioneered PanParag-PanMasala industry. Shahnaz Husain, an ordinary woman from conservative Muslim family successfully placed the Indian herbals on the world's cosmetic map, pioneered the Harbal Cosmetics. Likewise, the idea of water proof band-aid and sanitary napkins (for women) were

conceived by Johnson and Johnson. The Talwalkar's and VLCC found sound business idea in physical fitness industry.

Conceiving the project idea is mental process supported by certain virtues like curiosity, initiative, vision and courage.

The project idea could emerge from one or more of the following sources.

1. Success stories of friends, relatives and other entrepreneurs.
2. Increasing demand for certain products in home market and foreign markets where price advantage could be obtained.
3. Experience of others in manufacture or sale of a product
4. Chances of producing a substitute of an article imported for which there is a good demand in home country.
5. Visit to trade fairs and exhibitions
6. Study on demand supply imbalance
7. Government's industrial, import-export policies and the policies for development of backward area
8. Survey reports, books, periodicals, news papers
9. Invention of new production prices or product development
10. Availability of a particular raw material and skilled personnel
11. Potential demand for ancillary products for well-established big industries
12. Consultation with business advisor, district industrial center

13. Study of potential for tourism to identify the prospects for hotels, motels houseboats and sightseeing facilities etc.
14. Birth of novel product/technology.
15. Survey of local skills based on which suitable industries can be identified
16. Study of import statistics may reveal some commodities, which can be indigenously manufactured.
17. Finding out solutions for our day-to-day problems e.g. door alarm, car alarm etc.

Choosing the right line of business

The second important step in project identification is choosing the right line of business. To ensure the success of business, the prospective entrepreneur has to spend considerable time and energy on choosing the right line of activities. While doing so he has to examine the business potential of his ideas. For that he has to

1. study the environment / marketability of the product/service.
2. nature, extent, trend of demand for the product or service proposed to be manufactured/rendered
3. composition and pattern of potential users of the product or service
4. extent and intensity of competition in proposed area of business
5. procurement and uninterrupted availability of required raw materials and human resource
6. access to and affordability of technical know-how
7. access to the market
8. future prospects for growth in demand

9. compliance of legal provisions relating to the manufacturing the product or rendering services. (some products or services are banned under law e.g. ‘hashish’ or ‘dance-bars’ etc.) At the same time the entrepreneur has to assess which legal liabilities would come to him in production and marketing a particular product or service. For example, if he wishes to be in pharmaceutical production, the legal liability regarding scheduled drugs, expiry dates etc. would inevitably come to him. If he undertakes the passenger travels (tours and travels business) the liability regarding safety of passengers would come to him.
10. whether proposed product belongs to license category or de-licensed category.
11. availability of government schemes, special incentives, concessions regarding proposed line of business
12. estimated size of market
13. distinguishable features of the product or service to be manufactured or rendered. In bath-soap market every soap is marketed on the basis of distinguishable feature e.g. Lux (beauty care) Liril (lime freshness), Hamam (herbal based) Santoor (sandal based) Lifebuoy (germ-kill) Medimix (ayurveda based) Breeze (rose-beauty) and so on and so forth. Likewise, a number Life Insurance schemes and Mutual Fund Schemes are marketed adding an unique distinguishable feature.

At this stage, the entrepreneur may consult the experts in various issues related to choosing the right line of business. On making an in-depth primary study, if the scheme looks attractive and the degree of calculated risk provides the entrepreneur with an adequate level of confidence, he

may take next step to develop a detailed project report, obtaining technical know-how, raising funds etc.

Opportunity seeking

An entrepreneur is basically an opportunity seeker. A number business opportunities may be available, however, seeking the right business opportunity depends upon the entrepreneur's capabilities, his strengths and weaknesses and also on his preferences. Identification of appropriate business opportunity requires specialized skills. Before coming to the final decision, he has to explore and analyze all possible opportunities. For seeking the best business opportunity, the following explorations may be useful.

1. **Environment exploration** -This means the study of different environmental factors. The study of demographic environment includes the in-depth study of growth rate of population, age-composition, sex-composition, occupational- pattern, and income-composition etc. Low infant mortality rate and high birth rate ensures the increasing demand for baby-soap, baby hair oil, gripe-water, toys and kids wear etc. Socio-economic conditions, culture, basic features of resources etc are also studied.
2. **Present business exploration** - This relates to the study of present pattern of business activities, the study of the consumption pattern, the study of emerging trends in the pattern of trading and consumption and the pattern of demand.
3. **Technology exploration** - It is the study of new business opportunities created by change in technology For example, in case of printing industry, traditional system of printing has gone and computer based multi-colour printing opportunities have emerged It is also concerned

with anticipation of new business opportunities likely to emerge as a result of impact of technological advancement.

4. **Idea exploration** - Business ideas are related to different factors. The exploration of idea may relate to

- **Growth related ideas** - e.g. change in age-composition of population and lifestyles gives an impetus to fashion-industry, mobile and bike industry etc.
- **Resource -related ideas** - e. g. agro-based industry (i.e. pickle-making, ketchup, sauce, jams, mineral based industry (i.e. water, pharma) marine-based industry (i.e. fishery) waste-based (i.e. low grade paper can be made by industry using cotton-waste, jute waste and wastage-paper etc.)
- **Import-export related ideas** - i.e. export of mushrooms, strawberries, jewellery in foreign markets.
- **Service-sector related ideas** -for example repairs, maintenance of cars and automobiles. Nowadays, housekeeping (i.e. cleaning the big premises) has been emerging as a multi-crore industry.

Decision-making process

This final step in project identification involves making important decisions regarding the project to be undertaken. While taking decisions, the prospective entrepreneur has to go through following steps.

1. Selection of broad industry group

First of all, the entrepreneur has to decide as to which industry he intends to enter in. i.e. textile industry, sugar industry, automobile industry, cement industry etc.

Then he has to decide upon which product is to be manufactured e.g. consumer goods or capital goods etc. He has to take into account the present industrial climate for the product to be chosen by doing SWOT analysis and also assess the possibilities for diversification in future.

2. Selection of specific project

After having finalized the industry group, the entrepreneur has to decide the size of the project, its capital investment, availability of possible financial assistance etc. He has to check the government policies, rules and regulation to be complied with for obtaining necessary license. At this stage, the entrepreneur has to assess his own strengths and weaknesses. Then he has to compare the relative merits and demerits of the proposed project with special reference to market potentiality, return on investment and technology.

3. Final decision

The entrepreneur takes the final decision as regards project after testing its commercial viability. For gauging the commercial viability of the project, the entrepreneur has to test its market feasibility, technical feasibility, financial feasibility and economic feasibility.

PROJECT CLASSIFICATION

Projects have been classified in various ways by different authorities. Little and Mirreless divide the projects into two broad categories, viz., quantifiable projects and non-quantifiable projects. The planning commission has accepted the sectoral criteria for

classification of projects. Projects can also be classified on the basis of techno-economic characteristics. All India financial institutions classify the projects on the basis of the nature of the projects and its life cycle. The project classification are explained below :

- 1. Quantifiable and non-quantifiable projects :** Quantifiable projects are those in which a plausible quantitative assessment of benefits can be made. Non-quantifiable projects are those where such an assessment is not possible. Projects concerned with industrial development, power generation, mineral development are forming part of quantifiable projects. The non-quantifiable projects category comprise health, education and defence.
- 2. Sectoral Projects :** According to the Indian Planning Commission, a projects may fall in the following sector :
 - (a) Agriculture and Allied Sector
 - (b) Irrigation and Power Sector
 - (c) Industry and Minings Sector
 - (d) Transport and Communication Sector
 - (e) Social Services Sector
 - (f) Miscellaneous Sector

The sector classification of projects is quite useful for resource allocation at macro levels.

3. Techno-Economic Projects : Techno-economic projects classification includes factors intensity-oriented classification, causation-oriented classification and magnitude-oriented classification. These three grouping are narrated as under

- ❖ **Factor intensity oriented classification :** The factor intensity is used as base for classification of projects such as capital-intensive or labour-intensive which depends upon the large scale investments in plant and machinery or human resources.
- ❖ **Causation oriented classification :** The causation-oriented projects are determined based on its causes namely demand based or raw material-based projects. The non-availability of certain good or services and consequent demand for such goods or services or the availability of certain raw materials, skills or other inputs is the dominant reason for starting the project.
- ❖ **Magnitude oriented classification :** The size of investments forms the basis for magnitude-oriented projects. Projects may thus be classified based on its investment such as large-scale, medium-scale projects.

Techno-economic characteristics based classification is useful in facilitating the process of feasibility appraisal. United Nations and its specialised agencies use the International Standard Industrial Classification of all economic activities (ISICO) in collection and compilation of economic data. Since this classification covers the entire field of human economic endeavour, it forms a useful basis for classification of projects. Economic activities under this classification are grouped

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UNIT II

SEMESTER: VI BATCH : 2016 -2018

into ten divisions, which are subdivided into ninety sub-divisions. The divisions are :

| | |
|--------------|--|
| Division 0 | Agriculture; Forestry, Hunting and Fishing |
| Division 1 | Mining and Quarrying |
| Division 2&3 | Manufacturing |
| Division 4 | Construction |
| Division 5 | Electricity, Gas, Water and Sanitary Services, |
| Division 6 | Commerce |
| Division 7 | Transport, Storage and Communications |
| Division 8 | Services |
| Division 9 | Activities not adequately described |

4. Financial Institutions Classification : All India and State Financial Institutions classify the projects according to their age and experience and the purpose for which the project is being taken up. They are as follows :

- (i) New projects
- (ii) Expansion projects
- (iii) Modernisation projects
- (iv) Diversification projects

The projects listed above are generally profit - oriented and the services oriented projects are classified as under

- (i) Welfare Projects

(ii) Service Projects

(iii) Research and Development Projects

(iv) Educational Projects

PROJECT FORMULATION

A process is a collection of interrelated actions and activities that take place in order to achieve a set of previously specified products, results or services. The project team is in charge of executing the formulation, evaluation and project management processes.

A process is a collection of interrelated actions and activities that take place in order to achieve a set of previously specified products, results or services. The project team is in charge of executing the formulation, evaluation and project management processes. The processes (tasks and activities) have clear dependencies and are done following the same sequence in each project. They are independent from the area of application approaches. These groups of processes consider the multidimensional nature of formulation, evaluation and project management.

1. Preparation for Project Formulation

The Preparation of the Formulation phase (1) or what is the same, the elaboration of a good proposal of former projects, can be divided into three sections: a) the establishment of the formulation team and the necessary resources (financial, administrative and logistics); b) Terms of Reference writing; c) Project plan preparation for the execution of formulation activities.

2. Analysis and Diagnosis

In the DIAGNOSIS AND ANALYSIS phase (2) interpret the diverse aspects of the specific situation with the project team. During this phase, the teams receive training to do with research and analysis techniques, in order to perform the data collection (quantitative and qualitative) and exam (analysis) and to determine the main causes of the situation (diagnosis). At the end of the phase, each team has to indicate possible proposals to better the actual situation and answer the question: Has what has to be done in the project situation been understood?

3. Project Design

Taking as reference the conclusions achieved during the analysis and diagnosis phase, the teams proceed in the DESIGN phase (3) to a more detailed and precise project creation, in order to come up with an inversion proposal. Every team has to proceed by putting emphasis on the system, product and technology viability verification. Also they have to define the structure of the organization of the project, its programming in time, managing dispositions, resources and cost and benefit estimations. The main question to answer at the end of this phase is: Are we sure that we know how to make this project work?

4. Results Assessment

During the MULTI-CRITERIA Assessment phase (4) the effects and impacts that may happen to the project during execution will be examined. The results of this phase should guide the viability -technical, economical, financial, social and environmental- of the project. During this phase, the following competence element will be specially dealt with: resources, cost and finance, business, security, environment and ethics.

5. Project Document

The latest phase in PROJECT DOCUMENTAT, where all deliverables are found and the report is presented. The synthesis capacity is essential to be able to properly communicate - before external agents and colleagues- the information and issue a project judgment.

FEASIBILITY ANALYSIS

As the name implies, a feasibility study is used to determine the viability of an idea, such as ensuring a project is legally and technically feasible as well as economically justifiable. It tells us whether a project is worth the investment—in some cases, a project may not be doable. There can be many reasons for this, including requiring too many resources, which not only prevents those resources from performing other tasks but also may cost more than an organization would earn back by taking on a project that isn't profitable.

A well-designed study should offer a historical background of the business or project, such as a description of the product or service, accounting statements, details of operations and management, marketing research and policies, financial data, legal requirements, and tax obligations. Generally, such studies precede technical development and project implementation

Five Areas of Project Feasibility

A feasibility study evaluates the project's potential for success; therefore, perceived objectivity is an important factor in the credibility of the study for potential investors and

lending institutions. There are five types of feasibility study—separate areas that a feasibility study examines, described below.

1. Technical Feasibility

This assessment focuses on the technical resources available to the organization. It helps organizations determine whether the technical resources meet capacity and whether the technical team is capable of converting the ideas into working systems. Technical feasibility also involves evaluation of the hardware, software, and other technology requirements of the proposed system. As an exaggerated example, an organization wouldn't want to try to put Star Trek's transporters in their building—currently, this project is not technically feasible.

2. Economic Feasibility

This assessment typically involves a cost/ benefits analysis of the project, helping organizations determine the viability, cost, and benefits associated with a project before financial resources are allocated. It also serves as an independent project assessment and enhances project credibility—helping decision makers determine the positive economic benefits to the organization that the proposed project will provide.

3. Legal Feasibility

This assessment investigates whether any aspect of the proposed project conflicts with legal requirements like zoning laws, data protection acts, or social media laws. Let's say an organization wants to construct a new office building in a specific location. A feasibility study might reveal the organization's ideal location isn't zoned

for that type of business. That organization has just saved considerable time and effort by learning that their project was not feasible right from the beginning.

4. Operational Feasibility

This assessment involves undertaking a study to analyze and determine whether—and how well—the organization’s needs can be met by completing the project. Operational feasibility studies also analyze how a project plan satisfies the requirements identified in the requirements analysis phase of system development.

5. Scheduling Feasibility

This assessment is the most important for project success; after all, a project will fail if not completed on time. In scheduling feasibility, an organization estimates how much time the project will take to complete.

When these areas have all been examined, the feasibility study helps identify any constraints the proposed project may face, including:

- Internal Project Constraints: Technical, Technology, Budget, Resource, etc.
- Internal Corporate Constraints: Financial, Marketing, Export, etc.
- External Constraints: Logistics, Environment, Laws and Regulations, etc.

Benefits of Conducting a Feasibility Study

The importance of a feasibility study is based on organizational desire to “get it right” before committing resources, time, or budget. A feasibility study might uncover new ideas that could completely change a project’s scope. It’s best to make these determinations in advance, rather than to jump in and learning that the project just won’t

work. Conducting a feasibility study is always beneficial to the project as it gives you and other stakeholders a clear picture of the proposed project.

Below are some key benefits of conducting a feasibility study:

- Improves project teams' focus
- Identifies new opportunities
- Provides valuable information for a “go/no-go” decision
- Narrows the business alternatives
- Identifies a valid reason to undertake the project
- Enhances the success rate by evaluating multiple parameters
- Aids decision-making on the project
- Identifies reasons not to proceed.

COMMON ERRORS IN PROJECT FORMULATION

Project formulation is as important as not so easy. However, the entrepreneurs often make errors while formulating project reports or business plans.

The errors widely noticed in project formulation are:

Product Selection

It is noticed that some entrepreneurs commit mistakes by selecting a wrong product for their enterprises. They select the product without giving due attention to product for their enterprises. They select the product without giving due attention to product related other aspects such as size of the product markets, its future demand,

competitive position, lifecycle, availability of required labour, raw material and technology. Hence, when you are selecting a product, take a comprehensive View.

Capacity Utilisation Estimates

The entrepreneurs usually make overoptimistic estimates of capacity utilization. Their estimates are based on a completely false premises. The estimates are made in complete disregard of present-enterprise performance, prevailing market conditions, competitive atmosphere, the technical snags, etc. A business plan formulated as such falls prey to financial jugglery. Hence, avoid such temptations while estimating capacity utilization for your enterprise.

Market Study

Product production is ultimately meant for eventually sale. Hence, market study of the product assumes importance. Market study continues to be a grey area. But, there are some entrepreneurs who pass by this component of their business plan completely. Based on their nebulous ideas and scanty and scattered information on demand and supply of their proposed product, they conclude that market is just there waiting to be tapped. This is a wrong attitudinal block. Avoid it.

Technology Selection

The requirement for technology differs from product to product depending upon the nature of products. Swayed by the reported profit margins, the entrepreneurs sometimes plan for a technology not possible to set up within limited financial resources.

Thus, in the absence of technological feasibility, enterprise is foredoomed to failure.

Hence, make sure your technological feasibility.

Location Selection

The entrepreneur often makes two types, of errors while selecting location for their enterprises. First, they are completely swayed by the Government offer of financial incentives and concessions to establish industries in a particular location. This becomes their sole and overriding concern completely disregarding other factors like market proximity, availability of raw materials, manpower and infrastrutural facilities. Second, the entrepreneurs select a location for their enterprises merely because it is their home town or they own ancestral land there which is, however, to an appropriate location. Make sure you do not fall prey to such temptations.

Selection of Ownership Form

Many enterprises fail merely because the ownership form of enterprises is not suitable. Hence, select a suitable form of ownership taking a comprehensive view of the factors affecting the selection of a form business' activities, but also an essential exercise for developing cost and benefit estimates resources planning and feasibility testing of the proposed business activity. The project report is required for purposes of obtaining funds from the financial institutions and banks. The project report for an entrepreneur is what a guide map is for a traveller. In order to complete the project within a stipulated period and cost, all activities involved in the project are scheduled in a sequential relationship

called network or scheduling of activities. The common errors made by the entrepreneurs while formulating project reports/ business plans are also highlighted.

PROJECT REPORT

After having selected the project/product or the service to be rendered, the entrepreneurs has to prepare a project report. A project report is a report which provides all the necessary information of the unit proposed to be set- up for the manufacture of a product or rendering a service. Financial institutions and banks require project report for providing financial assistance. Various developmental agencies which help set-up the project also require project report. A well-prepared project report will help the bankers in appraising the project report and offer financial assistance. A project report enables the entrepreneur to know how much money, man-power and material would be required to set-up the project, type of machine and technology required, and the economic gains from the project. Information regarding economic, technical, financial, managerial and production aspects of the project/service are covered by the project report.

There are chartered accountants, technical consultants, management consultants etc., who prepare a project report on behalf of the entrepreneur. Many time an entrepreneur feels that he would relieve himself of the botheration to prepare a project report by engaging a consultant. Experience in developing entrepreneurs has shown that a well perceived, well made project report by the entrepreneur himself is helpful to him while running the industry. This is so because, the process of preparing the project report enables him to interact with realities and makes him aware of what to expect in the future

when he actually implements the project. It's a "drill", a good training prior to jumping into a venture. Therefore, even when he chooses to take the help of a consultant, he must involve himself in the preparation of the project report.

Significance of Project Report : An objective without a plan is a dream. The preparation of a project report is of great significance for an entrepreneur. The important uses of project report are :

- It helps in approaching District Industries Centre for obtaining provisional/permanent registration.
- It helps in procuring developed land or shed from Directorate of Industries or from the Development Corporation meant for providing developed land/sheds' to entrepreneurs.
- It helps in securing supply of scarce raw materials.
- It helps in approaching bank for getting working capital loan.
- It helps in obtaining term loan from State Financial Corporation/Bank.
- It helps the entrepreneur in establishing techno-economic viability of the project.

Contents of a Project Report

Having gone through the significance of project report, it is now clear that there is no substitute for a well-prepared business plan or project report and also there are no short-cuts to preparing it. The more concrete and complete the business plan, the more likely it is to earn the respect of outsiders and their support in making and running an enterprise.

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UNIT II

SEMESTER: VI

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Therefore, the project report needs to be prepared with great care and consideration. A good project report should contain the following contents :

- **General Information :** Information on product profile and product details.
- **Promoter :** His/her educational qualification, work experience, project related experience.
- **Location :** Exact location of the project, lease or freehold, vocational advantages.
- **Land and Building :** Land area, construction area, type of construction, cost of construction, detailed plan and estimate along with plant layout.
- **Plant and Machinery :** Details of machine required, capacity, suppliers, cost, various alternatives available, cost of miscellaneous assets.
- **Production Process :** Description of production process, process chart, technical knowhow, technology alternatives available, production programme.
- **Utilities :** Water, power, steam, compressed air requirements, cost estimates, sources of utilities.
- **Transport and Communication :** Mode, possibility of getting, costs.
- **Raw Material :** List of raw material required by quality and quantity, sources of procurement, cost of raw material, tie-up arrangements, if any, for procurement of raw material, alternative raw material, if any.

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KARPAGAM ACADEMY OF HIGHER EDUCATION

DEPARTMENT OF COMMERCE

III B.COM (PA) - (2016 - 2019 BATCH)

VI SEMESTER

PART - B

POSSIBLE QUESTIONS

1. Define the term project
2. Give the meaning of project report
3. What is meant by project identification?
4. Give the meaning of project formulation?
5. What is meant by feasibility analysis?
6. State the meaning of feasibility report?
7. What are the classifications of projects?

PART - C

POSSIBLE QUESTIONS

1. Define the term 'project'. How will you classify the projects?
2. Define project report. Why is a project report prepared?
3. What do you mean by project identification? Discuss the process involved in project identification?
4. Describe the various contents of a project report?
5. Prepare a project report for starting a small scale soap manufacturing unit.
6. While adjudging the viability of your proposed project, what factors you will take into consideration.
7. Determine the significance of project formulation and its evaluation.
8. Explain the term project feasibility analysis.
9. Elaborate the various errors involved in project formulation.
10. Briefly explain the Planning commission's guidelines for formulating a Project report.

| Question | Option 1 |
|---|---|
| It is the act of Conceiving something new | Innovation |
| It is the process of execution or implementation of ideas | Creativity |
| Which of the following doesnot stimulate creativity in an organisation | Creative work environment |
| Process Innovation refers to | Development of a new service |
| A person who combined Creativity with Managerial and Commercial skill | Inventor |
| Idea that maynot develop into a some commercial product | Innovation |
| Idea that develops into a new product and adds customer value | Invention |
| A person whose key aptitude is creativity | Inventor |
| About one in five product ideas are technically viable and, of these, fewer than one in twenty achieve market success. | TRUE |
| Innovation is a mJOR factor in competition because it can | be patented to protect the investment of the developers |
| The major difference between entrepreneurs and other innovators is | innovators work in teams, but entrepreneurs do not |
| Product innovation tends to increase the profit of firms primarily by | decreasing the firm's average costs |
| Consumers will buy a new product only if | it has a lower marginal utility per dollar spent than another product |
| Which statement would best describe the concept of creative destruction | Innovation would lead to monopoly power and thus destroy the economy. |
| Which one of the following is the process of entrepreneurs developing new products that over time make current products obsolete? | Creative Destruction |
| Which of the following is alternatively called corporate Entrepreneurship? | Intrapreneurship |
| Which one of the following is an important source of idea generation due to their familiarity with the needs of market? | Consumers |

| | |
|--|---|
| Members of distribution channels are excellent sources for new ideas because: | They earn a handsome profit from new business |
| 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? | Technopreneur |
| Who of these is an entrepreneur? | Barack Obama |
| A _____ is a diagram to visually organise information | Mind Map |
| What are the three interpersonal roles of a Manager | Communicator, organiser, spokesperson |
| Which one is not a recognised key skill of management? | Writing Skill |
| Disseminating means | Collecting information and passing it to subordinates |
| The Managerial role by virtue of its position held | Team Lead |
| If an Organisation tolerates mistakes, it will | increase mistakes |
| Positive creativity will be stimulated in an organisation if the information is | controlled by the manager |
| The three managerial roles of an entrepreneur are | Informational, Interpersonal, Decision making |
| Encouraging diversity in an organisation will | stop creativity |
| Which of the following is NOT a source of Innovation | Demographics |
| Statistical data relating to population and particular groups within it | Mean |
| Traditional Managers | dislikes the system and tries to manipulate it |
| Entrepreneurial Managers | admits mistakes and moves on |
| _____ involves such thing as writing, oral presentation, technical know-how etc. | Interpersonal skill |
| A set of responsibilities organised to get specific outputs related to a specific position or function | Role |
| In _____, the death of an entrepreneur results in termination of business | Corporation |
| The _____ of a business venture is that the company has experience in related field. | Strength |
| The reward for an entrepreneur could be in the form of | wages |
| The process of maintaining relationship with other agencies/units | Resource Allocation |
| The role that makes the entrepreneur to represent his unit in forums | Spokesperson |
| The Knowledge and ability that enables a person to do a job very well | Attitude |
| The ability of a person to work effectively in a team | Technical Skill |

| | |
|--|--|
| Which Skill is required for an entrepreneur | Conceptual skill only |
| The Creative ability to meet complex demands of an organisation | Competency |
| In a Creative environment of an organisation employees get motivated if their ideas are | implemented |
| If innovation is centralised in an organisation, then it | enhances creativity |
| In an organisation that enhances positive creativity risk taking is | allowed |
| Missing of an innovation strategy | hinders creativity |
| In a team, cross fertilise means | stereotype thinking |
| The success of an organisation largely depends on its | support to creativity |
| The way of using ones imagination to bring positive result | Positive Charge |
| Innovative organisations normally | doesn't copy |
| Out of the box thinking means | Putting all products outside the box |
| Which of the following describes a process where employees write down their ideas on slips of paper with no identification, exchange the slips and attempt to build on each other's ideas? | Brainstorming |
| Which of the following is not a recommended approach to encourage creativity? | tolerating failures. |
| Venture capital is concerned with: | New Project having high potential for profit |
| How should management respond to unusable ideas in an effort to foster creativity in the workplace? | Fire the employee |
| What is team-building in terms of staff members? | Gathering workers from around the world to make the perfect team |
| Which Company is responsible for inventing the world's first smartphone? | Samsung |
| Which of the following is NOT an approach to innovation? | Invention of a new product or service. |

| Option 2 | Option 3 | Option 4 | Option 5 | Option 6 |
|---|---|--|----------|----------|
| Creativity | Flexibility | Strategy | | |
| Invention | Innovation | Philosophy | | |
| Donot Penalise | Donot encourage innovation | Creative Team | | |
| Development of a new Product | Implementation of a new or improved production method | Development of new product or services | | |
| Innovator | Creator | Manager | | |
| Invention | Production | None of the Above | | |
| Innovation | Production | None of the Above | | |
| Innovator | Manager | Analyst | | |
| FALSE | Partially False | Undefined | | |
| enable firms to make competitors' products obsolete | guarantee the monopoly position of innovative firms | reduce research and development costs for firms | | |
| innovators manage start-ups, but entrepreneurs do not | entrepreneurs bear personal financial risk, but innovators do not | entrepreneurs invent new products and processes, but innovators do no | | |
| increasing the firm's total revenue | decreasing marginal utility per Rupee spent | increasing the success of R&D spending | | |
| there is a substantial budget for promotion and marketing | it can be sold at a lower price than that for a competing product | it increases the total utility they obtain from their limited income | | |
| The creation of new products and production methods would destroy the market for existing products. | The creation of new products and production methods would destroy the market for existing products. | Firms are being creative with learning by doing, but this spirit is destroyed by the inability of firms to finance R&D expenditures. | | |
| Anomatization | Strategy | None of the Above | | |
| Venturing | Offering new products by an existing company | Ecopreneurship | | |
| Distribution Channels | Government | Existing Product | | |

| | | | | |
|--|---|---|--|--|
| They are familiar with the needs of the market | They do not bother if entrepreneur bears a loss | They have well-developed sales force | | |
| Ecopreneur | Intrapreneur | Entrepreneur | | |
| Jack Ma | Donald Trump | Theresa May | | |
| Routemap | Blind map | roadmap | | |
| Director, coordinator, disseminator | Figurehead, leader and liaison | Spokesperson, leader, coordinator | | |
| Conceptual Skill | Technical Skill | Human Skill | | |
| Distancing from employees | Cementing his place | None of the Above | | |
| Figure Head | Head Master | Leader | | |
| spoil the culture | enhance creativity | hurt the feelings of the management | | |
| free flowing | curtailed | restricted | | |
| International, Informational, Indigenious | Institutional, Demanding, Lethargic | Legendary, Technical, Dictator | | |
| stimulate creativity | shut down the copany | stop growth | | |
| Changes in Perception | Unexpected | Routine | | |
| Demographics | Computer Graphics | Perception | | |
| is willing to make mistakes and learn | tries to avoid mistakes and surprises | admits mistakes and moves on | | |
| tries to avoid mistakes and surprises | wants to please top management | works out problem working within the system | | |
| Technical Skill | Decision Making Skill | Informational Skill | | |
| Role | Rule | Job | | |
| Limited Company | Limited Partnership | Proprietorship | | |
| Opportunity | Weakness | Threat | | |
| Profit | Freight | loan | | |
| Dissemination | Liasoning | Monitoring | | |
| Figure Head | Monitor | Disseminator | | |
| Role | Skill | work | | |
| Human Skill | Conceptual Skill | None of the Above | | |

| | | | | |
|---|--|--|--|--|
| Human skill only | Technical skill only | Combination of all the three skills | | |
| Knowledge | Attitude | Skill | | |
| ignored | penalised | not heard | | |
| hinders creativity | supports creativity | boosts creativity | | |
| penalised | not permitted | not encouraged | | |
| stimulate creativity | no impact | None of the Above | | |
| exchange of diversified ideas | using natural fertiliser | dictatorship | | |
| rigid strategies | oneman show | None of the Above | | |
| Pessimistic approach | Profit Making | Positive Creativity | | |
| copy | follows only one | follows many | | |
| Standing outside the box and thinking | Think differently | Conventional Thinking | | |
| Mindmap | Brainwriting | Story Boarding | | |
| offering recognition for good effort and performance. | restricting on-the-job interaction in order encourage individual excellence. | encouraging experimentation among employees. | | |
| New Project having high potential for technology | New project Having High risk | All of the above | | |
| Implement it anyway | Explain how the idea is not right for the situation | Express Anger | | |
| Creating a greater sense of trust and support among staff | Selecting the plays of your fantasy cricket team | None ot the Above | | |
| IBM | Apple | Nokia | | |
| Imitation of an existing product or service. | Creative replication of existing concept. | Combination of existing concepts in a new way. | | |

| Answer |
|---|
| Creativity |
| Innovation |
| Donot encourage innovation |
| Implementation of a new or improved production method |
| Innovator |
| Invention |
| Innovation |
| Inventor |
| TRUE |
| enable firms to make competitors' products obsolete |
| entrepreneurs bear personal financial risk, but innovators do not |
| increasing the firm's total revenue |
| it increases the total utility they obtain from their limited income |
| The creation of new products and production methods would destroy the market for existing products. |
| Creative Destruction |
| Intrapreneurship |
| Distribution Channels |

| |
|---|
| They are familiar with the needs of the market |
| Intrapreneur |
| Jack Ma |
| Mind Map |
| Figurehead, leader and liaison |
| Writing Skill |
| Collecting information and passing it to subordinates |
| Figure Head |
| enhance creativity |
| free flowing |
| Informational, Interpersonal, Decision making |
| stimulate creativity |
| Routine |
| Demographics |
| tries to avoid mistakes and surprises |
| admits mistakes and moves on |
| Technical Skill |
| Role |
| Proprietorship |
| Strength |
| Profit |
| Liasoning |
| Spokesperson |
| Skill |
| Human Skill |

| |
|--|
| Combination of all the three skills |
| Competency |
| implemented |
| hinders creativity |
| allowed |
| hinders creativity |
| exchange of diversified ideas |
| support to creativity |
| Positive Creativity |
| doesn't copy |
| Think differently |
| Brainwriting |
| restricting on-the-job interaction in order encourage individual excellence. |
| New Project having high potential for profit |
| Explain how the idea is not right for the situation |
| Creating a greater sense of trust and support among staff |
| IBM |
| Imitation of an existing product or service. |