KARPAGAM UNIVERSITY
KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed University Established Under Section 3 of UGC Act, 1956)
COIMBATORE – 21
DEPARTMENT OF MANAGEMENT
III BBA - FIFTH SEMESTER –
ENTREPRENEURSHIP AND PROJECT MANAGEENT (15BAU504)
ASSIGNMENT - I - TITLES

Sl. No.	Register No.	Name of the Candidate	Assignment Title
1	15BAU001	ABDUL KABIER A. F	Entrepreneurship Development Programme
2	15BAU003	AJETHKUMAR. M	Types of Entrepreneurs
3	15BAU005	ANAND . V	Concept of Entrepreneurship
4	15BAU006	ANIL RAJ V.M	Small Industries Service Institutes (SISIs)
5	15BAU007	AROKIARAJ. J	District Industries Centres (DICs)
6	15BAU009	BENIN . G	The State Industries Promotion Corporation of Tamilnadu Limited (SIPCOT)
7	15BAU010	DINESHKUMAR . S	Entrepreneur Vs Intrapreneur
8	15BAU012	GOKUL . S	Small Industries Development Organisation
9	15BAU013	GOPINATH . A	Project Formulation
10	15BAU016	KARTHICK . G	Small Industries Development Bank of India (SIDBI)
11	15BAU017	KARTHIKEYAN . R	Project Identification
12	15BAU018	KEERTHANA . L	Khadi and Village Industries Commission (KVIC)
13	15BAU019	LOGESH . G	Indian Investment Centre (IIC)
14	15BAU022	MUHAMMED SHAFIK K.Y	Factors affecting Entrepreneurial Growth
15	15BAU023	MUTHU KUMAR . R	The Tamilnadu Industrial Investment Corporation Limited (TIIC)
16	15BAU025	NANDHAKISHORE K.J	Special Economic Zones (SEZs)
17	15BAU026	NANTHINI . K	Micro Small Medium Enterprises – MSMED
18	15BAU027	NARMATHA . M	Project Design and Network Analysis
19	15BAU028	NAVEEN . G	Project Life Cycle
20	15BAU029	NESHA . R	Concepts of Project Management
21	15BAU030	NIDHIN SATHYAN	Role and Responsibilities of a Project Manager

Sl. No.	Register No.	Name of the Candidate	Assignment Title
22	15BAU031	NIVETHA . R	Categories of Project
23	15BAU032	PANDIYARAJ. R	Project Appraisal and its significance
24	15BAU033	PAVITHRA . R	Functions of Commercial Banks
25	15BAU035	RABIS GOKUL . S	Functions of an Entrepreneur
26	15BAU036	RAGUL PRASATH .S	Introduction to Entrepreneur and Entrepreneurship
27	15BAU037	RAJA PRABHU . V	Special Economic Zones (SEZs)
28	15BAU038	SAI VENKATESH . R	Role of Entrepreneurship in Economic Development
29	15BAU039	SALMAN FARIZ . J	Project Management
30	15BAU040	SASIKUMAR. M	Elements of Project Formulation
31	15BAU041	SELVAKUMAR . S	Project Feasibility Analysis
32	15BAU045	SRINIVASAN . R	Project Report and Evaluation
33	15BAU046	SUDHEER . T	Institutional Set up
34	15BAU047	SURYA PRAKASH . S	Special Economic Zones (SEZs)
35	15BAU048	SURYA. R	National Small Industries Corporation (NSIC)
36	15BAU049	VARATHARAJ . K	Cluster Development Programme

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ENTREPRENEURSHIP AND PROJECT MANAGEMENT (15BAU504)
ASSIGNMENT - II – TITLES

Sl. No.	Register No.	Name of the Candidate	Assignment Title
1	15BAU001	ABDUL KABIER A. F	Project Design and Network Analysis
2	15BAU003	AJETHKUMAR. M	Project Design and Network Analysis
3	15BAU005	ANAND . V	Project Design and Network Analysis
4	15BAU006	ANIL RAJ V.M	Project Design and Network Analysis
5	15BAU007	AROKIARAJ. J	Project Design and Network Analysis
6	15BAU009	BENIN . G	Project Design and Network Analysis
7	15BAU010	DINESHKUMAR . S	Project Design and Network Analysis
8	15BAU012	GOKUL . S	Project Design and Network Analysis
9	15BAU013	GOPINATH . A	Project Design and Network Analysis
10	15BAU016	KARTHICK . G	Project Design and Network Analysis
11	15BAU017	KARTHIKEYAN . R	Project Design and Network Analysis
12	15BAU018	KEERTHANA . L	Project Design and Network Analysis
13	15BAU019	LOGESH . G	Project Design and Network Analysis
14	15BAU022	MUHAMMED SHAFIK K.Y	Project Design and Network Analysis
15	15BAU023	MUTHU KUMAR . R	Project Design and Network Analysis
16	15BAU025	NANDHAKISHORE K.J	Project Design and Network Analysis
17	15BAU026	NANTHINI . K	Project Design and Network Analysis
18	15BAU027	NARMATHA . M	Project Design and Network Analysis
19	15BAU028	NAVEEN . G	Project Report and Evaluation
20	15BAU029	NESHA . R	Project Report and Evaluation
21	15BAU030	NIDHIN SATHYAN	Project Report and Evaluation
22	15BAU031	NIVETHA . R	Project Report and Evaluation
23	15BAU032	PANDIYARAJ. R	Project Report and Evaluation
24	15BAU033	PAVITHRA . R	Project Report and Evaluation
25	15BAU035	RABIS GOKUL . S	Project Report and Evaluation
Sl.	**Register**	**Name of the Candidate**	**Assignment Title**

No.	No.		
26	15BAU036	RAGUL PRASATH .S	Project Report and Evaluation
27	15BAU037	RAJA PRABHU . V	Project Report and Evaluation
28	15BAU038	SAI VENKATESH . R	Project Report and Evaluation
29	15BAU039	SALMAN FARIZ . J	Project Report and Evaluation
30	15BAU040	SASIKUMAR. M	Project Report and Evaluation
31	15BAU041	SELVAKUMAR . S	Project Report and Evaluation
32	15BAU045	SRINIVASAN . R	Project Report and Evaluation
33	15BAU046	SUDHEER . T	Project Report and Evaluation
34	15BAU047	SURYA PRAKASH . S	Project Report and Evaluation
35	15BAU048	SURYA. R	Project Report and Evaluation
36	15BAU049	VARATHARAJ . K	Project Report and Evaluation

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Department of Management
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PART A - ONLINE EXAMINATION (Each Question Carries One Mark)

Unit - I

S.No.	Questions	Choice 1	Choice 2	Choice 3	Choice 4	Answers
			UNIT - I			
1	The word entrepreneur has taken from_____language.	French	China	latin	france	French
2	An_____bears uncertainity.	Inventor	entrepreneur	Manager	Employer	entrepreneur
3	An _____ is one who discovers new methods.	People	Creator	Inventor	Employer	Inventor
4	An entrepreneur is the_____ of an enterprise.	Servant	Owner	Manager	Advisor	Owner
5	A manager is the_____ of enterprise.	creator	Servant	devisor	Owner	Servant
6	A manager gets salary as his_____	Reward	Wage	Freight	Materials	Reward
7	The motive of entrepreneur is to start a_____	capital	venture	Budget	Plan	Venture
8	Entrepreneur work alone is called _____ entrepreneur	Fabian	Solo	lifetime	Drone	Solo
9	An _____operates within organization.	Owner	Inventor	Intrapreneur	Advisor	Intrapreneur

10	Entrepreneurs always bears_____	actions	Purchase	Risk	Sales	Risk
11	A _____entrepreneur will be very cautious.	Fabian	skilled	innovate	Drone	Fabian
12	A_____does not bear any risk.	Creator	Servant	Inventor	Manager	Manager
13	An entrepreneurs will be an_____	organizer	manager	seller	purchaser	organizer
14	Entrepreneurs will be_____	strong	optimistic	thinking	weak	optimistic
15	_____are not raised by Intrapreneurs.	persons	manager	funds	talent	funds
16	_____Entrepreneurs are those women who start a business.	concern	single	all	women	women
17	A Women Entrepreneur mush have the quality of _____	advisable	pity	soft	innovative	Innovation
18	_____ is the life blood of enterprise.	Finance	cash	loan	credit	Finance
19	Most of the Womens are_____in India.	literate	strong	illiterate	weak	illiterate
20	More literates are in_____	asia	kerala	tamil nadu	Andra	kerala
21	Entrepreneurship creates_____employement.	large scale	medium	small scale	medium and small	large scale
22	A new enterprise always involves_____	people	risk	cash	credit	risk
23	_____give birth to a new enterprise.	Entreprene urship	people	business	sales	Entrepreneurship

24	Entrepreneurs need_____	knowledge	lateral	training	curtesy	training
25	Entrepreneurship development programme consists of_____phases.	three	one	two	four	three
26	A_____Phase is the first phase in EDP s	single	Pre-Training	double	Triple	Pre-Training
27	The objective of EDP Prgramme is to_____a enterprise.	data	close	start	done	start
28	Motivation comes in_____phase.	inform	post training	planning	Training	Training
29	_____of Entrepreneurs comes in Pre-Training phase.	Selection	training	opening	none	Selection
30	EDP is needed to_____people.	transact	motivate	collect	sell	motivate
31	A_____entrepreneur who starts his venture in rural areas.	single	rural	company	urban	rural
32	_____population is in rural sector.	70%	78%	80%	75%	70%
33	_____belongs to textile industry.	agro	yarn	khadi	steel	khadi
34	An example of Agro based industry is_____industry	fine	sugar	cane	salt	sugar
35	Rural entrepreneurs generate_____employement.	small scale	large scale	medium	tiny level	large scale
36	Rural entrepreneurs improve_____growth.	success	single	economic	Social	economic

37	A_____small industries play a major role in rural employement.	village	urban	slum	city	village
38	_____ entrepreneurs improve economic growth.	failure	rural	economic	city	rural
39	Training of Entrepreneurs comes in_____.	Selection	post-training	opening	Pre-training phase.	Pre-training phase.
40	_____ is needed to motivate people.	transact	EDP	DEP	PDE	EDP
41	Women are treated as_____.	home makers	sugar	tolerate	capable	home makers
42	The industry promoted by women entrepreneurs are_____industry.	communication	telex	handi crafts	capable	handi crafts
43	A_____manufacturing is the foremost preparation by women entrepreneurs.	Pickle	telephone	handi	Food items	Pickle
44	_____is one of the role of women entrepreneurs.	watch	organisim	seeing	courageous	organisim
45	A_____or a group of women start a business that is called to be women	both men and women	organiser	women	men	women
46	People who own, operate, and take risk of a business venture is known as	Aptitude	Employee	Entrepreneurs	Intrapreneur	Entrepreneurs
47	An entrepreneur doing business within the national border is called _____	l entrepreneurship	intrapreneurship	domestic entrepreneur	imports	domestic entrepreneur
48	What type of entrepreneurial business actually produces the products they sell?	Manufact	Wholesaling	Retailing	Consumer	Manufacturing

49	The word entrepreneur is derived from the French word which means _____	to undertake	take	under	do	to undertake
50	Sudden changes of _____ is the factor determining entrepreneurship	Rules	Procedure	Government policy	policy	Government policy
51	The Entrepreneur is a _____ function	filling	Gap filling	connection	return	Gap filling
52	An entrepreneur is motivated by _____	Profits	Loss	Expenses	income tax	Profits
53	An Entrepreneur is _____ and he is his own boss	employed	unemployed	self-employed	self - Unemployed	self-employed
54	Women engineers can start_____industries.	large	telephone	small	Khadi	small
55	Khadi belongs to_____ industry.	agro	yarn	textile	Steel	textile
56	The motive of entrepreneur is to start a _____.	capital	venture	cash	Sale	venture
57	A_____ entrepreneurs improve economic growth.	failure	rural	economic	Unsuccess	rural
58	A _____ entrepreneur will be very cautious.	Fabian	skilled	innovate	none	Fabian
59	A new _____ always involves risk.	people	enterprise	cash	society	enterprise
60	All _____ need training.	knowledge	lateral	Entrepreneurs	banks	Entrepreneurs

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PART A - ONLINE EXAMINATION (Each Question Carries One Mark)

S.No.	Questions	Choice 1	Choice 2	Choice 3	Choice 4	Answers
	UNIT - II					
61	_____ is essential to any enterprise.	Finance	loan	docoument	credit	Finance
62	Financial assistance is given to_____ Entrepreneurs.	large	high	small	none	small
63	The IFCI was ste up in the year_____.	1936	1950	1972	1948	1948
64	The IFCI concentrates mainly to_____Industries.	small scale	Large Scale	medium	tiny	Large Scale
65	The main functions of SFC S is to cater small_____.	people	company	industries	concern	industries
66	_____ assistance is given to small Entrepreneurs.	large	high	small	Financial	Financial
67	In 1948_____ was set up.	IFCI	ICFI	TIC	CIT	IFCI
68	The IFCI concentrates mainly to_____Industries.	small scale	Large Scale	medium	tiny	Large Scale

69	The main functions of _____ is to cater small industries	people	company	SFC	concern	SFC
70	A_____ gives assistance to small Entrepreneurs.	large	high	small	Commercial banks	Commercial banks
71	SIDBI Commences its operation in_____.	1936	1950	1990	1948	1990
72	_____ provide training to small entrepreneurs.	failure	SIDBI	economic	IIC	SIDBI
73	SIDBI Commences its operation With_____.	251 crores	256 crores	255 crores	250 crores	250 crores
74	A_____ gives assistance to small Entrepreneurs.	large	high	small	SIDBI	SIDBI
75	A SIDBI gives important assistance for_____.	leasing	large	high	small	leasing
76	IN 1978_____was started	large	high	DIC	Commercial banks	DIC
77	DIC Is promoted for industries To cater all_____..	medium	needssmall	large	needs large	needssmall
78	TIIC s role is to promote_____ the enterprises .	developme nt	data	catching	enhancement	development
79	A TIIC s funds is provided by_____government.	state	small	central	Self	central
80	co-ordinate Policies_____ the programmes.	Assist	small	central	attend	Assist

81	A_____ industries need assistance to do the marketting	Steel	small	large	tiny level	small
82	SIDO s provide_____.	knowledge	lateral	consultancy	groupisim	consultancy
83	SIPCOT s provide_____to small entrepreneurs.	failure	training	economic	Food	training
84	SIDC's set up in_____Government	state	small	central	local self	central
85	Preparation of Project_____ is a function of SISI.	report	profile	directoions	both b and c	report
86	A_____ was started by central government	DIC	SIDBI	NSIC	SFC	NSIC
87	NSIC Promotes central _____	state	small	industries.	shops	industries.
88	A_____ is essential to any enterprise.	Finance	loan	docoument	loan and document	Finance
89	Financial assistance is given to_____ Entrepreneurs.	large	high	small	tiny	small
90	The TIIC was set up in the year_____.	1936	1950	1972	1952	1952
91	_____ Large Scale Industries.	SFC	TIIC	DIC	SIDBI	TIIC
92	The main functions of TIIC is to cater small industries	people	company	functions	concern	functions
93	Finance is essential to any_____.	enterprise.	loan	docoument	project	enterprise.
94	_____ assistance is given to small Entrepreneurs.	large	high	small	Technical	Technical

95	In 1948_____ was set up.	IFCI	training	EDP	CIT	IFCI
96	The SIPCOT concentrates mainly to_____Industries.	small scale	Large Scale	medium	tiny level	Large Scale
97	The main functions of _____ is to cater small industries	EDP	CIT	SIPCOT	IFCI	SIPCOT
98	IIC Is promoted for_____industries.	medium	small	large	tiny	small
99	_____main role is to promote development	DIC	CIT	SIPCOT	IFCI	DIC
100	The commercuial banks started to cater_____.	medium	industries	large	tiny Institutions	industries
101	DIC Is promoted for_____industries.	medium	small	large	tiny	small
102	Dividends can be derived from the shaes of _____	Sale	Profit	loss	No loss and no profit	profit
103	DIC s funds is provided	state	small	central	local self	central
104	Project managers provide_____service.	people	company	company	technical	technical
105	Small industries register in_____.	district	optimistic	thinking	urban	district
106	Programmes develop_____estates.	people	work	person	estates.	estates.
107	Industrial estates promote_____	people	industralisation	person	estates.	industralisation

108	SIDO isone of the _____ like.	people	company	office	Corporation	office
109	Function of SIDO is_____.	co-ordination	data mining	catching	planning	co-ordination
110	A_____is an apex body.	SIOD	SIDO	DIOC	SFC	SIDO
111	SIDO Is assisted by its _____.	district	optimistic	directors	officers	directors
112	Policies_____ the programmes.	co-ordinate	small	central	create	co-ordinate
113	Small industries assist to _____.	market	small	large	planning	market
114	SISI s provide_____ also.	knowledge	lateral	consultancy	Work	consultancy
115	SISI s provide_____to small entrepreneurs.	failure	training	economic	success	training
116	SISI S set up by _____capital.	state	small	central	local self	central
117	_____profile is the main function of SISI.	district	Project	irectors	innovators	Project
118	_____ was started by central government	people	company	NSIC	SFC	NSIC
119	NSIC Promotes_____industries.	state	small	central	urban	central
120	SIDO is made for _____of SSI	organize	development	control	staffing	development

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PART A - ONLINE EXAMINATION (Each Question Carries One Mark)

S.No.	Questions	Choice 1	Choice 2	Choice 3	Choice 4	Answers
	UNIT - III					
1	The DIC S was started in the year_____	1978	1968	1938	1977	1978
2	EDPs are conducted by _____	Entrepreneurs	Specialized Institutions	Business Community	Business community	Specialized Institutions
3	_____presupposes commitment to tasks to be performed with well defined objectives, schedules and budget.	Plan	Promote	Project	Select	Project
4	Indian Planning Commission classifies the projects under the category of	Economic development	Sectors	Quantity	Facto intendi	
5	Every project has _____basic dimensions	one	Two	Three	Four	three
6	The small industries are exempted _____	small scale	Expense	Scale	income tax	income tax
7			work	person	estates.	estates.
8	Industrial estates	people	industralisation	person	estates.	industralisation
9	KVIC is activated in the year _____	1953	1963	1964	1825	1953

10	Expand CPM.	Path Method	Critical Par Method	Critical Project Method	Critical Price Method	Critical Path Method
11	Main Objective of KVIC is to increase the _____employment opportunities	rural	urban	district	Nation	rural
12	Female entrepreneur differs from male entrepreneur in terms of the following except _____	Motivation	Busnisss skill	Departure point	Goal orientation	Motivation
13	The term EDP refers to _____	Entrepreneurship Development Programme	Entrepreneurial Development Programme	Entrepreneur Development Programme	Entrepreneuring Development Programme	Entrepreneurship Development Programme
14	TIIC is sponsored by the _____	Governmen t of Tamilnadu	Government of Karnataka	Governement of Andhra Pradesh	Government of Kerala	Government of Tamilnadu
15	RCI stands for _____	Re-investment corporation of India	Re-investment committee of India	Refinance corporation of India	Refinance committee of India	Refinance corporation of India
16	Refinance to commercial banks is granted only for loans ranging between _____	1 and 5 years	3 and 6 years	3 and 10 years	3 and 5 years	3 and 10 years
17	Technical feasibility examines the project with reference to _____	location	land and building	technical competence	location,technical competence	location and technical competence
18	There are _____ TIIC branches in Tamil	15	20	18	17	15
19	_____ is the first state level financial	TIIC	SFC	SIDBI	SIDC	TIIC

20	TIIC will not consider financial assistance when	1 Crore	3 Crores	5Crores	6 Crores	3 Crores
21						
22	IIC is the link between the foreign entrepreneurs	Indian	domestic	directors	local	Assistance
23	_____ Promotes small industries.	Khadi	SIDC	SIDO	SFC	Khadi
24	IIC Is promoted for_____industries.	medium	small	large	tiny	small
25	GATT is established in 1947 under _____	China leadershipo	Japan leadership	U.S.Leadership	U.K. Leadership	U.S.Leadership
26	Planning and conrolling the task is the _____	Strategy	responsibility	procedure	rules	responsibility
27	_____ is the company which perceived htat the computer market is very big.	APPLE	DELL	SONY	TOSHIBA	APPLE
28	Project managers provide_____service.	people	company	company	technical	technical
29	Project over run is a frightening _____ nfacing India	financial problelm	resource problem	economic problem	research problem	economic problem
30	Small industries need financial _____	assistance	attitude	aptitude	analyse	assistance
31	Programmes develop_____estates.	people	work	person	estates.	estates.
32	Industrial estates promote_____..	people	industralisation	person	estates.	industralisation
33	GATT is established in the year _____	1954	1957	1947	1952	1947
34	Expenditure incurred by a publisher for acquiring copyright is a_____	Deferred revenue	Capital expenditure	Revenue expenditure	Assets	Capital expenditure
35	Loss of cash by theft committed by cashier after business hours is a _____	Revenue loss	Deferred revenue loss	Capital loss	Business loss	Capital loss

36	An expenditure incurred to derive long term advantage is _____	Revenue expenditure	Expense	Capital expenditure	Deferred capital	Capital expenditure
37	In accounting only _____ discount is recorded	Trade	Cash	Real	Nominal	Cash
38	Debit balance of all personal accounts are collectively called_____	Sundry creditors	Sundry debtors	Personal account	Total of personal	Sundry debtors
39	Under_____ system branch profit or loss is ascertained by preparing branch accounts	Debtors	Stock and debtors	Wholesale	Final accounts	Debtors
40	'Every debit has a corresponding credit' it is the concept of_____	Incomplete records	Cost sheets	Single entry system	Double entry system	Double entry system
41	Bank loan account is a _____	Real Account	Nominal Account	Personal Account	Current Account	Personal Account
42	The process of recording transactions in a journal is known as _____	Journalizing	Journal	Posting	Journal entry	Journalizing
43	Accounting records transactions in term of _____	Commodity units	Production units	Monetary units	Expense units	Monetary units
44	Income received in advance by a business units is_____	liability	An assets	A loss	Gain	Liability
45	The policy of anticipate no profit and provide for all possible losses arises due to_____	Convention of	Convention of conservatism	Convention of materiality	Convention of full	Convention of consistency
46	Capital account is a _____	Fictitious account	Personal account	Liability account	Nominal account	Personal account
47	Revenue is generally recognized as being earned at the point of time _____	Sale is effected	Cost is effected	Expenditure is effected	Overcast is effected	Sale is effected

48	Depreciation is_____	An accounting necessity	Tax necessity only	Tax and accounting necessity	Tax, account and audit necessity	Tax, account and audit necessity
49	_____presupposes commitment to tasks to be performed with well defined objectives, schedules and budget.	plan	project	proposal	procedure	project
50	The_____ industries are exempted fromincome tax	small scale	Large Scale	tiny	tiny and large	small scale
51	_____expenses also relates to business.	data	engine	matter	engineering	engineering
52	_____ Deduction is allowed for fixed assets	data	Depreciation	matter	cost	Depreciation
53	_____ Carry forward is made for deductions	plan	royalities	Carry	accounts	Carry
54	The_____ can be audited	plan	royalities	accounts	proposals	accounts
55	Entrepreneurs need_____	trade	technology skills	goals	business	technology skillls
56	Entrepreneurs get government_____	trade	technology	subsidies	business	subsidies
57	Small industries need_____	data	finance	matter	skill	finance
58	SIDO Is to _____develop theSSI's .	develop	medium scale	large scale	groupisim	develop

59	Entrepreneurs need to Co- ordinate the _____.	Company	business	enterprise	All functions of Enterprise	All functions of Enterprise
60	SIDO provides_____to all type of persons .	develop	medium scale	informations	small scale	informations

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PART A - ONLINE EXAMINATION (Each Question Carries One Mark)

S.No.	Questions	Choice 1	Choice 2	Choice 3	Choice 4	Answers
	UNIT - IV					
1	A_____support organisations	Company	royalities	market	DIC	DIC
2	DIC provides_____.	develop	Services	informations	none	Services
3	Industries play a_____role.	plan	vital	market	all	vital
4	A_____announce allowance.	Company	royalities	market	government	government
5	The capital is small in_____industries.	small scale	medium scale	large scale	none	small scale
6	The small industries has to incur more_____.	small scale	expenses	scale	large scale	expenses
7	The small industries are exempted from_____.	small scale	expenses	scale	income tax	income tax
8	A rehabilition_____is granted to small scale industries.	medium scale	expenses	allowance	income tax	allowance
9	. A rehabilition allowance is used for_____purposes.	business	expenses	allowance	income tax	business
10	A_____intends to raise revenue.	MODVAT	CENVAT	TRADE	WAN	MODVAT

11	Deduction is available in_____	plan	royalities	market	financial	royalities
12	Carry forward is made for_____	plan	royalities	deductions	financial	deductions
13	Deduction is allowed for_____years.	10	15	20	25	10
14	Deduction is allowed for_____.	trade	patent right	goals	copy	patent right
15	The investment allowance was introduced	1975	1976	1981	1625	1976
16	A_____expenses relates to business.	data	engine	matter	engineering	engineering
17	The small industries has established for_____areas.	small scale	expenses	back ward	forward	back ward
18	Depreciation Deduction is allowed for_____.	data	fixed assets	matter	current assets	fixed assets
19	The accounts can be_____.	plan	royalities	audited	rotated	audited
20	A_____ dividends can be deucted.	small scale	inter corporate	large scale	corporate	inter corporate
21	Income from co operative societies can be_____	deducted	engine	matter	engineering	deducted
22	A rehabilition allowance is used for_____purposes.	business	expenses	allowance	income	business
23	The small industries are exempted from_____.	small scale	expenses	scale	income tax	income tax
24	A_____expenses relates to business.	data	engine	matter	engineering	engineering
25	A_____ Deduction is allowed for fixed assets	data	Depreciation	matter	Expense units	Depreciation

26	A_____ Carry forward is made for deductions	plan	royalities	Carry	forward	Carry
27	Accounts can be _____	plan	royalities	accounts	audited	audited
28	Entrepreneurs need_____	trade	technology	goals	accounts	technology
29	Entrepreneurs get government_____	trade	technology	subsidies	business	subsidies
30	Small industries need_____	data	finance	matter	tiny	finance
31	SIDO Is to _____.	develop	medium scale	large scale	tiny level	develop
32	A_____ Is to CO ordinate.	SIDO	SIDC	DIC	SFC	SIDO
33	SIDO provides_____.	develop	medium scale	informations	no informations	informations
34	A_____support organisations	SIDO	SIDC	DIC	SFC	DIC
35	DIC provides_____.	develop	Services	informations	nothing services	Services
36	Industries play a_____role.	plan	vital	market	weak	vital
37	A_____announce allowance.	Company	royalities	market	government	government
38	Incentives act as_____	motivators	fixed assets	matter	machinery	fixed assets
39	_____is exempted.	medium scale	expenses	allowance	income tax	income tax
40	Programmes develop_____estates.	people	work	person	estates.	estates.

41	Industrial estates promote_____..	people	industralisation	person	estates.	industralisation
42	Income from co operative societies can be_____	deducted	engine	matter	engineering	deducted
43	A rehabilition allowance is used for_____purposes.	business	expenses	allowance	none	business
44	The small industries are exempted from_____.	small scale	expenses	scale	income tax	income tax
45	A physical infrastructure	raw	report	project	machinery	raw materials
46	Autilities include_____.	details	firm	power	data	power
47	A transport facility is an_____.	power	firm	details	utilities	utilities
48	A physical infrastructure includes_____	project	report	skilled labour	utilities	skilled labour
49	A common utilities include_____.	repair shops	firm	power	repair, firm and power	repair shops
50	A communication facilities include_____.	repair shops	firm	telephone	telex	telephone
51	A _____is an communication facilities.	repair shops	telex	tele	data	telex
52	A Research and development should be included in_____.	project report	enterprise	data	goals	project report
53	A Project report is like a road _____.	Project report	format	statement	map	map
54	A _____is a common utilities.	repair	firm	welding shops	making	welding shops

55	One of the utilities include_____.	details	firm	fuel	unfuel	fuel
56	A project report includes the market_____of the product.	form	potential	data	finance	potential
57	A project report includes the expected_____of the product.	price	potential	data	potential	price
58	A project report includes the demand and supply_____.	price	position	data	potential	position
59	A project report includes the market_____.	form	potential	strategy	business	strategy
60	Aprovisions will be made for _____sale	form	potential	data	after	after
UNIT - V						
61	A project appraisal is made for_____ projects.	statement	seen	appraisal	executed	executed
62	A_____is one of the methods of project appraisal.	statement	goals	Market analysis	aim oriented	Market analysis
63	Financial analysis is one of the methods of_____of the company	Produce	Goal achievement	project appraisal.	Marketing	Goal Achievement
64	A_____will be estimated for to anticipate sales profit.	product	firm	data	goals	product
65	A_____ has to be properly assessed.	depreciation	working capital	collection	goals	working capital
66	A_____is the most important to start a enterprise.	seed capital	report	project	finance	finance

67	_____is the second stage in life cycle segmentation.	plan	segment	growth	business	growth
68	_____ is the heart of the project	Project idea	Project identification	Project design	Project selection	Project design
69	The commercuial _____ started to cater industries	banks	industries	Offices	Companies	banks
70	There are _____ stages in project life cycle	one	two	Three	four	three
71	What are the the 3 basic dimensions of a project?	. input, output and process	input, output and materials	. input, output and social cost and benefits	input, output and features	. input, output and social cost and benefits
72	Dic s funds is provided by_____government.	state	small	central	all	central
73	A project repoort is like a road _____.	Map	project	statement	report	Project report
74	A project report describes the direction of the_____.	goals	data	enterprise	all	enterprise
75	A project report is a_____sta	formal	written	oral	all	written
76	A project report is a operating_____	document	statement	form	all	document
77	A project report contains general_____	form	informations	data	none	informations
78	A_____includes name and address of the entrepreneur.	firm	people	bio data	company.	bio data
79	Aanalysis of industry comes under industry_____.	details	profile	data	none	profile

80	A_____details include product utility.	product	firm	company	all	product
81	A site includes the location of the_____.	collection	enterprise	location	none	enterprise
82	Aphysical infrastructure includes_____	raw materials	report	project	all	raw materials
83	Autilities include_____.	details	firm	power	none	power
84	A transport facility is an_____.	power	firm	details	utilities	utilities
85	A physical infrastructure includes_____	project	report	skilled labour	utilities	skilled labour
86	A common utilities include_____.	repair shops	firm	power	all	repair shops
87	A communication facilities include_____.	repair shops	firm	telephone	none	telephone
88	A _____is an communication facilities.	repair shops	telex	tele	data	telex
89	A Research and development should be included in_____.	project report	enterprise	data	goals	project report
90	A Project report is like a road _____.	Project report	format	statement	map	map
91	A _____is a common utilities.	repair	firm	welding shops	all	welding shops
92	One of the utilities include_____.	details	firm	fuel	none	fuel

93	A project report includes the market_____of the product.	form	potential	data	none	potential
94	A project report includes the expected_____of the product.	price	potential	data	potential	price
95	A project report includes the demand and supply_____.	price	position	data	potential	position
96	A project report includes the market_____.	form	potential	strategy	none	strategy
97	Aprovisions will be made for _____sales service.	form	potential	data	after	after
98	A_____ should be mentioned in project report.	form	potential	transportation	none	transportation
99	A_____ should also bementioned in project report.	form	Finance	data	none	Finance
100	The requirement of _____ should also be mentioned in project report.	working capital	enterprise	data	goals	working capital
101	Sources of_____ should also be mentioned in project report.	working capital	Supply	data	goals	Supply
102	A_____Statement indicates the financial position.	working capital	Supply	Cash flow	goals	working capital
103	A_____ Statement indicates the financial position.	working capital	Supply	balance sheet	goals	balance sheet
104	A_____ indicates the Percentage of sales.	working capital	Supply	balance sheet	Break even point	Break even point

105	Environmental _____ should also be mentioned in project.	working capital	damage	data	Supply	damage
106	A_____use to get better insights.	working capital	CPM	data	goals	CPM
107	A PERT use to get better _____.	form	potential	Insights	none	Insights
108	A_____plan contains data.	marketting	potential	Insights	Insights	marketting
109	A_____Should be estimated..	working capital	Cost	data	goals	Cost
110	One of the market aspect is_____.	Sales channel	potential	transportation	none	Sales channel
111	Production requirements include_____.	working capital	CPM	working capital	CPM	working capital
112	Which of these properties will include in the report?	Indirect cost	CPM	data	goals	Indirect cost
113	Find the odd man out?	form	Finance	data	Personnel manager	Personnel manager
114	Capital requirements include_____.	working capital	CPM	Land	all	Land
115	A_____is a set of symbols.	working capital	network	data	goals	network
116	A_____ is a Capital requirements	working capital	CPM	building	none	building

117	A_____ should be allowed.	depreciation	enterprise	data	goals	depreciation
118	The CPM was developed in_____	USA	India	Russia	all	USA
119	A_____ascertains the time schedule of activities.	PERT	CPM	PCM	REPT	CPM
120	A CPM operates on_____.	planning	retrain	assumption	none	assumption
121	A CPM cannot be used as operating_____	planning	device	assumption	none	device
122	A CPM time estimates are not based on _____analysis.	statistical	enterprise	data	goals	statistical
123	A project_____means assessment of a project.	statement	seen	appraisal	all	appraisal
124	A project appraisal is made for_____ projects.	statement	seen	appraisal	executed	executed
125	A_____is one of the methods of project appraisal.	statement	goals	Market analysis	all	Market analysis
126	A financial analysis is one of the methods of_____.	goals	Market analysis	project appraisal.	all	all
127	A_____will be estimated for to anticipate sales profit.	product	firm	data	goals	product
128	A_____ has to be properly assessed.	depreciation	working capital	collection	goals	working capital
129	A_____is the most important to start a enterprise.	seed capital	report	project	finance	finance
130	A_____is the second stage in life cycle segmentation.	plan	segment	growth	none	growth

131	A decline stage comes in_____. life cycle segmentation.	life cycle segmentation.	segment	growth	none	life cycle segmentation.
132	A management_____plays an important role for the success in business enterprise.	work	ability	all	role	ability

Karpagam Academy of Higher Education
Coimbatore - 21
Department of Management
III BBA - V Semester (2015 - 18 Batch)
ENTREPRENEURSHIP AND PROJECT MANAGEMENT (15BAU504)

PART A - ONLINE EXAMINATION (Each Question Carries One Mark)

S.No.	Questions	Choice 1	Choice 2	Choice 3	Choice 4	Answers
	UNIT - V					
1	A project appraisal is made for_____ projects.	statement	seen	appraisal	executed	executed
2	A_____is one of the methods of project appraisal.	statement	goals	Market analysis	aim oriented	Market analysis
3	Financial analysis is one of the methods of_____of the company	Produce	Goal achievement	project appraisal.	Marketing	Goal Achievement
4	A_____will be estimated for to anticipate sales profit.	product	firm	data	goals	product
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KARPAGAM ACADEMY OF HIGHER EDUCATION

COIMBATORE – 21

DEPARTMENT OF MANAGEMENT

FIFTH SEMESTER – III BBA

ENTREPRENEURSHIP AND PROJECT MANAGEMENT - (15BAU504)

UNIT – I

Concept of Entrepreneurship – Definition, Characteristics and Functions of entrepreneur – Types of Entrepreneurs – Role of Entrepreneurship in Economic Development. Intrapreneur vs Entrepreneur - Factors affecting entrepreneur growth

ENTREPRENEUR AND ENTREPRENEURSHIP

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

EVOLUTION OF THE CONCEPT OF ENTREPRENEUR

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

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

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

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

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

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

20th CENTURY: During the early 20th century Dewing equated the entrepreneur with business promoter and viewed the promoter as one who transformed ideas into a profitable business. It was Joseph Schumpeter who described an entrepreneur as an innovator. According to him an entrepreneur is an innovator who develops untried technology.

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

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

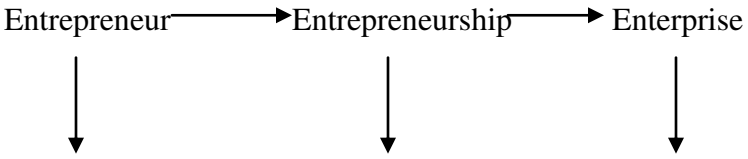
DEFINITION:

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.

"The entrepreneur in an advanced economy is an individual who introduces something new in the economy – a method of production not yet tasted by experience concerned, a product with which consumers are not yet familiar, a new source of raw material or of new markets and the like"

- Joseph A. Schumpeter

CONCEPT OF ENTREPRENEURSHIP



Entrepreneurship is a composite skill, the resultant of a miz of many qualities and traits. These include tangible and intangible factors.

CHARACTERISTICS OF AN ENTREPRENEUR

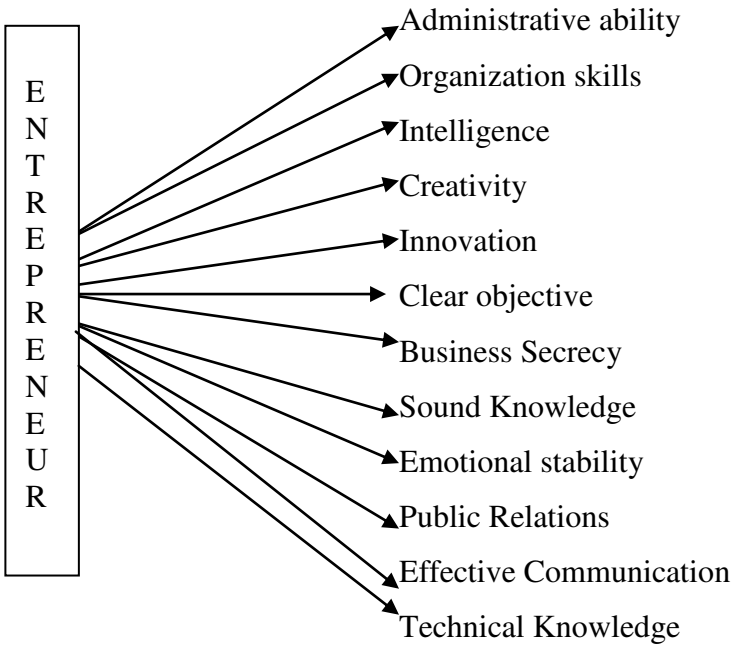
An entrepreneur is a highly achievement oriented, enthusiastic and energetic individual. He is a business leader. He has the following characteristic:

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.

The characteristics of an entrepreneur that contribute to success are the result of his achievement motivation. The above can be explained in the following diagrame.

CHARACTERISTICS OF AN ENTREPRENEUR



FUNCTIONS OF AN ENTREPRENEUR

Kilby has classified the functions into four groups

1. Exchange relationship
2. Political Administration
3. Management Control
4. Technology

TYPES OF ENTREPRENEURS

Entrepreneurs may be classified in a number of ways.

A. ON THE BASIS OF TYPE OF BUSINESS.

Entrepreneurs are classified into different types. They are

1) Business Entrepreneur: He is an individual who discovers an idea to start a business and then builds a business to give birth to his idea.

2).Trading Entrepreneur: He is an entrepreneur who undertakes trading activity i.e; buying and selling manufactured goods.

3) Industrial Entrepreneur: He is an entrepreneur who undertakes manufacturing activities.

4) Corporate Entrepreneur: He is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking.

5) Agricultural Entrepreneur: They are entrepreneurs who undertake agricultural activities such as raising and marketing of crops, fertilizers and other inputs of agriculture. They are called agricultural entrepreneur

B. ON THE BASIS OF USE OF TECHNOLOGY: Entrepreneurs are of the following types. **1) Technical Entrepreneur**: They are extremely task oriented. They are of craftsman type. They develop new and improved quality goods because of their craftsmanship. They concentrate more on production than on marketing.

2) Non-Technical Entrepreneur: These entrepreneurs are not concerned with the technical aspects of the product. They develop marketing techniques and distribution strategies to promote their business. Thus they concentrate more on marketing aspects.

3) Professional Entrepreneur: He is an entrepreneur who starts a business unit but does not carry on the business for long period. He sells out the running business and starts another venture.

C. ON THE BASIS OF MOTIVATION:

Entrepreneurs are of the following types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COPRENEURS

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

INTRAPRENEURS

The term **intrapreneur** was coined in USA in the late seventies. Many senior executives of big companies in America left their jobs and started small business of their own. They left the organization because they did not get any opportunity to apply their own ideas and innovative ability. These entrepreneurs become successful in their own ventures. Some of them caused a threat to the corporations they left. This type if entrepreneurs have come to be called Intrapreneurs**.** They believe strongly in their own talents. They have desire to create something of their own. They want responsibility and have a strong drive for individual expression and more freedom in their present organizational structure. When this freedom is not forthcoming, they become less productive or even leave the organization to achieve self actualization elsewhere.

ULTRAPRENEURS

Now-a-days, new products and services are conceived, create, tested, produced and marketed very quickly and with great speed. Therefore, today's entrepreneur needs to have a different mindset about establishing and operating a business. This mindset is called ULTRAPRENEURING. An entrepreneur with this mind set is known as Ultrapreneur. The concept of Ultrapreneuring is to identify a business opportunity, determine its viability and form a company. It requires assembling a super competent management team, who then develop, produce and markets the product or service in the shortest optimum time period. They create business and then sell out, merge or combine.

NEED AND IMPORTANCE OF TRAINING

1. Availability of skills
2. Potential ability of workers
3. Maintaining quality of products
4. Minimize excessive scraps
5. Reduce Fatigue

NATURE OF ENTREPRENEURSHIP

Features of entrepreneurship are summarized as follows:

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

INNOVATION AND ENTREPRENEURSHIP

Innovation is one of the underlying dimensions of entrepreneurship. It is a key function in the entrepreneurial process. Without innovation, an entrepreneur cannot survive in the modern competitive business world. Entrepreneurship is a creative and innovative response to the environment and an ability to recognize, initiate and exploit an economic opportunity. An entrepreneur is an innovator who introduces who introduces something new in an economy.

As per the Schumpeter's view, a person becomes an entrepreneur only when he or she is engaged in innovation .further, innovation is equal to competitive advantage. The entrepreneurs today realize the need for innovation. Innovation adds value to the product. It is only through innovation, the organizations can survive the increasing competition in the market place.

RISKS INVOLVED WITH ENTREPRENEURSHIP

Entrepreneurship involves the following types of risks.

- **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.
- **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.
- **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.
- **PSYCHOLOGICAL RISK:** Psychological risk is the mental agonies an entrepreneur

BARRIERS TO ENTREPRENEURSHIP

Entrepreneurial development is very slow in under developed and developing countries. This is due to the presence of several factors. Gunnar Myrdal pointed out that Asian

societies lack entrepreneurship not because they lack money or raw material but because of their attitudes. These barriers to entrepreneurship are classified into three as follows:

A. ENVIRONMENTAL BARRIERS

Following are the important environmental barriers to entrepreneurship:

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

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

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

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

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

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

B PERSONAL BARRIERS

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

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

- **Lack of Confidence**: - Many people thing that they lack what it takes to become an entrepreneur. They feel that they could not master all the skills. Thus most people are reluctant to become entrepreneurs.
- **Lack of Motivation: -** When an individual starts a new venture, he is filled with enthusiasm and drive to achieve success. But when he faces the challenges of real business or bears loss, or his ideas don't work, he loses interest or motivation.
- **Lack of Patience: -** The desire to achieve success in the first attempt or to become rich very soon is the prime motivating factor of modern youth. When such dreams do not come true , they lose interest. This gradually drives to fail in business.
- **Inability to Dream: -** Entrepreneurs, who are short on vision or become satisfied with what they achieve, sometimes lose interest in further expansion/growth of business.

C SOCIAL BARRIERS

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

- **Low Status: -** The society things that entrepreneurs are the people who exploit the society. Thus the attitude of the society towards entrepreneurs is not positive.
- **Custom and Tradition of People: -** Most people want a real job. Even parents who are entrepreneurs wouldn't like their children to be entrepreneurs. Thus lack of support from society and family hinder the growth of entrepreneurs.

FACTORS AFFECTING ENTREPRENEURIAL GROWTH

There are large number of varied factors which contribute to the growth of entrepreneurship. These factors can be broadly classified into five.

PSYCHOLOGICAL FACTORS: - Inspiration for achievement prepares an

entrepreneur to set higher goals and achieve them. The important psychological factors influencing entrepreneurial growth may be outlined as below:

(A) Need for Achievement: - Need for achievement means the drive to achieve a goal. People having need for achievement will be so much self – confident that they do not believe in mere luck. If an individual has need for achievement, he will become a successful entrepreneur.

(B) Personal Motives: - These have been found to be one of the crucial factors responsible for entrepreneurship amongst individuals. Bill Gates dreamt that one day he would become the richest person. His dream became a reality later.

(C) Recognition: - Many people become successful entrepreneurs just for getting recognition from others.

(D) Need of Authority: - 'Need of authority' will inspire men to work. When they become entrepreneurs, they can exercise authority over managers, employees etc.

CULTURAL FACTORS: - Culture consists of (1) Tangible man – made objects like furniture, buildings etc.., (2). Intangible concepts like Laws, morals, knowledge etc.., (3) Values and behaviour acceptable within the society. The important cultural factors influencing entrepreneurial growth are briefly explained as follows:

(A) Culture: - Culture is closely related with accepted values and human behaviour. For e.g. some societies have customs of polygamy and some have not.

(B) Religious Belief: - According to Max Weber, entrepreneurism is a function of religious belief and the impact of religion shapes the entrepreneurial culture. He emphasized that the entrepreneurial energies are exogenous supplied by means of religious belief.

(C) Minority Groups: - Hoselitz explained that the supply of entrepreneurship is governed by cultural factors, and culturally minority groups are the spark plugs of entrepreneurial and economic development. Minority groups like the Jews and Greeks in Medieval Europe, the Lebanese in West Africa, the Indians in East Africa has important roles in promoting economic development.

(D) Spirit of Capitalism: - It guides the entrepreneur to engage in activities that can bring more and more profits. The profit motive character coupled with the attitude

towards acquisition of money urges the individual to start new venture.

SOCIAL FACTORS: - What mould a man into an entrepreneur is the sociological and environmental factors during childhood, and at the school, personal experience in adult life at the college and job environments, the mobility, occupation and support from parents. The social factors include:

(A) Legitimacy of Entrepreneurship: - System of norms and values within a socio – cultural setting is responsible for the emergence of entrepreneurship. The degree of approval or disapproval granted to entrepreneurial behaviour will influence its emergence and its characteristics if it does emerge.

(B) Social Marginality: - Individuals or groups on the perimeter of a given social system or between two social systems provide the personnel to assume the entrepreneurial roles. Social marginality is likely to promote entrepreneurship are largely determined by two factors, namely the legitimacy of entrepreneurship and social mobility.

(C) Family, Role Models and Association with Similar Type of Individuals: - If an individual has a supportive family, he or she is more likely to become an entrepreneur. Similarly, if an individual has role models who have been successful in entrepreneurship, certainly, he may be motivated to start ventures. If a person is in association with entrepreneurs, this may add to his or her desire of setting up a new venture. Reliance, Tata, Birla etc. are the industries depend upon family based inheritance.

(D) Caste System: - Certain religions and caste encourage the growth of entrepreneurial talent. Some religious communities like the parsees, marwaris and sindhees seem to have an affinity for entrepreneurial activity. The caste system in Hindu society has promoted to the growth of business and professional skills.

(D) Occupation :- Those born in rich families with silver spoons in their mouth have not only an advantage of having financial resources for carrying out business but also learn the business skill by continuous interaction and contacts with parents, customers, employees and visitors in family shops, offices and homes.

(E) Education and Technical Qualifications: - Education is the best means of developing man's resourcefulness which encompasses different dimensions of entrepreneurship. It may be expected that the high level of education may enable the entrepreneurs to exercise their entrepreneurial talent more efficiently and effectively.

(F) Social Status: - Every human being aspires for a high social status and once he achieves a reasonable level, his aspirations and desires for its start getting multiplied. People work hard to maintain their status as it also contributes to their entrepreneurial growth.

ECONOMIC FACTORS: - Economic factors also influence the growth of entrepreneurship. The important economic factors are:

(A)Infrastructural Facilities: - Entrepreneurship development requires certain basic infrastructure like power, transportation, communication, technical information etc. These provide external economies and improve the efficiency of investments by entrepreneurs. These infrastructural facilities are scarce in less developed countries. The entrepreneurs themselves have to procure these facilities at their own cost. They have to obtain these facilities at higher costs. This will greatly discourage the entrepreneurship development. In advanced countries, those who are desirous of starting an enterprise will find no difficulty in procuring the infrastructural facilities at reasonable costs.

(B) Financial Resources: - Finance is the life blood of business activity. Capital is required to obtain materials, machinery, equipment, etc. and to undertake innovation. Capital is regarded as lubricant to the process of production. The lack of financial resources discourages the youth and potential entrepreneurs to start new ventures. Hence, the need for fixed and working capital should be adequately met if new entrepreneurs are to come forward and grow.

(C) Availability of Material and Know – How: - Entrepreneurship is encouraged only if there is an adequate supply of materials and know-how. Easy availability of materials attracts more individuals towards entrepreneurship. Technical know-how is essential for innovation. With technical knowledge, men discover more and sophisticated techniques of production.

(D) Labour Conditions: - The quality rather than quantity of labour is another factor

which influences the emergence and growth of entrepreneurship. The availability of cheap labour positively affects entrepreneurship. Labour problem can be solved not by capital intensive technologies but by increasing their mobility, by offering them facilities, incentives and concessions in every remote corner of the country.

(E) Market: - The size and composition of market influence entrepreneurship in their own ways. Practically, monopoly in a particular product in a market becomes more influential for entrepreneurship than a competitive market.

(F) Support System: - Ability, initiative and support systems include financial and commercial institutions, research, training, consultancy services, ancillary industry etc.

(G) Government Policy: - The socio- political and economic policies of the government inhibit or foster entrepreneurial growth. Land and factory sheds at concessional rates, adequate sources of power, supply of materials and other physical facilities should be provided by the government to facilitate the setting up of new enterprises. The government has a dominant role to play in the industrial development of backward regions with a view to attain a balanced regional development.

PERSONALITY FACTORS: - The supply of entrepreneurship in a society is largely influenced by the presence of individuals with the imitativeness, foresightedness and organizing and managerial competence. The following personality factors contribute to the entrepreneurial development:

(A). Personality: - The entrepreneurial personality comprises of the person, his skills, styles and motives. Impressive personality and individual skill help to develop entrepreneurship. These qualities are required for entrepreneurs because they have to work with officers, managers, engineers, labourers, customers, investors, govt. officers, ministers etc.

(B). Independence:-Another personality factors which influences entrepreneurship is independence. An entrepreneur works out plans on his own, searches and explores resources and experiences and uses inner urge to make the enterprise a success instead of waiting for suggestions or directions from others.

(C) Compulsion: - Certain compelling reasons also force the people to become entrepreneurs. These include: unemployment or dissatisfaction with existing job or

occupation etc..

QUALITIES OF A SUCCESSFUL ENTREPRENEUR

In order to organize and run it successfully, the entrepreneur must possess some qualities and traits. They are as following:

- **Willingness to Make Sacrifices and Assume Risks: -** A new venture is full of difficulties and unanticipated problems. In such an inhospitable environment entrepreneur has to be prepared to sacrifice his time, energy and resources in order to carry out the venture and make it success.
- **Hard Work: -** Willingness to work hard distinguishes a successful entrepreneur from an unsuccessful one. For example, Assam Premji (chairman of Wipro) works in his office fourteen hours every day. He is a successful entrepreneur. He is one of the richest persons in India.
- **Optimism: -** Successful entrepreneurs are not worried by the present problems that they face. They are optimistic about the future. This enhances their confidence and drives them towards success. Some of the world's greatest entrepreneurs failed before they finally succeeded.
- **Self Confidence**: - This is the greatest asset of a successful entrepreneur. He must have the confidence to make choices alone and bounce back when he fails.
- **Leadership: -** Successful entrepreneur generally has strong leadership qualities. He should be a good judge of human nature and a good leader. He must be able to select, train and develop persons who can properly manage and control the labour force. McClelland identified two main characteristics in an entrepreneur- (1) Doing things in a new and better manner. (2) Decision making under uncertainty. A successful entrepreneur must be capable and well-informed, a successful leader of men, a keen judge of things, courageous and prudent. Above all he must be gifted with a large measure of practical common sense. There are not many Fords, Tatas, Birlas, Thapars and Ambanis in the world. Entrepreneurship is not limited to any class, community or religion. There is no age bar, for any person who possesses certain behavioural traits and attitudes can work to become an entrepreneur.

Difference between Entrepreneur and Intrapreneur!

Of late, a new breed of entrepreneurs is coming to the fore in large industrial organisations. They are called 'intrapreneurs'. They emerge from within the confines of an existing enterprise. According to Gifford Pinchot (1985), "Intrapreneur is an entrepreneur within an already established organization." In big organisations, the top executives are encouraged to catch hold of new ideas and then convert these into products through research and development activities within the framework of organisation. The concept of Intrapreneurship has become very popular in developed countries like America.

It is found that an increasing number of intrapreneurs is leaving their jobs in big organisations and is starting their own enterprises. Many of such intrapreneurs have become exceedingly successful in their ventures. What is more that they are causing a threat to the organisations they left? Such intrapreneurs breed to the innovative entrepreneurs who inaugurate new products.

Difference between Entrepreneur and Intrapreneur:

Having understood the meanings of entrepreneur and intrapreneur, now the two can easily be distinguished from each other on the following bases:

Difference between an Entrepreneur and an Intrapreneur:

Differences	Entrepreneur	Intrapreneur
Dependency	An entrepreneur is independent in his operations	An intraprenuer is dependent on the entrepreneur, i.e. the owner.
Raising of Funds	An entrepreneur himself raises funds required for the enterprise.	Funds are not raised by the Intrapreneur.
	Entrepreneur bears the risk involved	An intraprenuer does not fully bear the

Risk	in the business.	risk involved in the enterprise.
Operation	An entrepreneur operates from out side	On the contrary, an intraprenuer operates from within the organization itself.
Orientation	An entrepreneur begins his business with a newly set up enterprise.	An intrapreneur sets up his enterprise after working someone else's organization.
Experience	As an entrepreneur establishes new business, so he does not possess any experience over the business.	An intrapreneur establishes his business after gathering experiences through working in the other organizations.

According to the above table, anyone can differentiate between the entrepreneur and intrapreneur as both the terms are heterogeneous.

NEED FOR ACHIEVEMENT (ACHIEVEMENT MOTIVATION)

It is the psychological need to achieve. It provides drive to the entrepreneur to set up a new venture, to achieve targets, to sense problems and opportunity, to take much risk so as to run the business successfully. It is nothing but a person's desire either for excellence or to succeed in competitive situation. Thus achievement motivation means a drive to overcome challenges in reaching higher goals. It is a strong desire to achieve a higher goal and make dreams come true. In short it is the strong desire to win.

WOMEN ENTREPRENEURS:

Women Entrepreneurs may be defined as the women or a group of women who initiate, organize and operate a business enterprise. Government of India has defined women entrepreneurs as an enterprise owned and controlled by a women having a minimum financial interest of 51% of the capital and giving at least 51% of employment generated in the enterprise to women. Like a male entrepreneurs a women entrepreneur has many functions. They should explore the prospects of starting new enterprise;

undertake risks, introduction of new innovations, coordination administration and control of business and providing effective leadership in all aspects of business.

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 programme on management skills to be provided to women community.
4. Encourage women's participation in decision-making.

ENTREPRENEURSHIP DEVELOPMENT OF RURAL WOMEN THROUGH SELF HELP GROUPS

Rural women play a vital role in farm and home system. They contributes substantially in the physical aspect of farming, livestock management, post harvest and allied activities. Her direct and indirect contribution at the farm and home level along with livestock management operation has not only help to save their assets but also led to increase the family income. They also performs various farm, livestock, post harvest and allied activities and possesses skills and indigenous knowledge in these areas. The women were empowering themselves technically to cope with the changing times and productively using their free time and existing skills for setting and sustaining enterprises. They were engaged in starting individual or collective income generation programme with the help of self-help group. This will not only generate income for them but also improve the decision-making capabilities that led to overall empowerment.

Women constitute about 50% of the world population. In traditional societies, they are confined to performing household activities. Hence women are generally called home makers. But today, in modern society, they have moved out of the house and are taking part in all areas of life. Today, the entrepreneurial world is open to the womenfolk. Thailand tops the list with 18.5% of women as entrepreneurs followed by

India with 14.1% women entrepreneurs. Japan has the lowest rate of women entrepreneurs with just 0.6% women as entrepreneurs.

THE CONCEPT OF WOMEN ENTREPRENUERSHIP

According to the general concept, women entrepreneur may be defined as a women or a group of women who initiate, organize and operate a business enterprise. The Government of India has defined a women entrepreneurship as "an enterprise owned and controlled by a women having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women".

Kerala Government defined women industrial units as units owned/ organized by women and engages in small scale and cottage industries with not less than 80% of the total workers as women. With effect from 6th Feb. 1992, the definition of 'Women Entrepreneurs' Enterprises is as follows: "A small scale industrial units/industrially related services or business enterprise managed by one or more women entrepreneurs in proprietary concerns in which she/they will individually or jointly have share capital of not less than 51% as partners/ shareholders / directors of private limited company, members of co-operative society".

REASONS FOR THE SLOW GROWTH OF WOMEN ENTREPRENEURSHIP IN KERALA

In spite of the initiatives taken by the government, the growth of women entrepreneurship is very slow in the state. The reasons are outlined as below:

- Unfavourable family background.
- Lack of business education.
- Dual role of women.
- Lack of aptitudes and training.
- Absence of individualistic spirit.
- Lack of freedom to choose a job according to ability, influence of sex, custom etc.
- Inadequate infrastructure facilities.

- Shortage of capital and technical knowhow.
- Lack of adequate transport and communication facilities.
- Shortage of power.
- Lack of security.
- Absence of ideal market conditions.
- Corruption in administration.

PROBLEMS OF WOMEN ENTREPRENEURS

The basic problem of a woman entrepreneur is that she is a woman. Women entrepreneurs face two sets of problems specific to women entrepreneurs. These are summarized as follows.

1) Shortage of Finance: Women and small entrepreneurs always suffer from inadequate fixed and working capital. Owing to lack of confidence in women's ability, male members in the family do not like to risk their capital in ventures run by women. Banks have also taken negative attitude while lending to women entrepreneurs. Thus women entrepreneurs rely often on personal saving and loans from family and friends.

2) Shortage of Raw Material: Women entrepreneurs find it difficult to procure material

and other necessary inputs. The prices of many raw materials are quite high.

3) **Inadequate Marketing Facilities:** Most of the women entrepreneurs depend on intermediaries for marketing their products. It is very difficult for the women entrepreneurs to explore the market and to make their product popular. For women, market is a 'chakravyuh'.

4) **Keen Competition**: Women entrepreneurs face tough competition from male entrepreneurs and also from organized industries. They cannot afford to spend large sums of advertisement.

5) **High Cost of Production**: High prices of material, low productivity. Under utilization of capacity etc. account for high cost of production. The government assistance and subsidies would

not be sufficient for the survival.

6) **Family Responsibilities**: Management of family may be more complicated than the management of the business. Hence she cannot put her full involvement in the business .Occupational backgrounds of the family and education level of husband has a direct impact on the development of women entrepreneurship.

7) Low Mobility: One of the biggest handicaps for women entrepreneur is her inability to travel from one place to another for business purposes. A single women asking for room is looked upon with suspicion. Sometimes licensing authorities, labour officials and sales tax officials may harass them.

8) Lack of Education: About 60% of women are still illiterate in India. There exists a belief that investing in woman's education is a liability, not an asset. Lack of knowledge and experience creates further problems in the setting up and operation of business.

9) Low Capacity to Bear Risks: Women lead a protected life dominated by the family members. She is not economically independent. She may not have confidence to bear the risk alone. If she cannot bear risks, she can never be an entrepreneur.

10) Social Attitudes: Women do not get equal treatment in a male dominated society. Wherever she goes, she faces discrimination. The male ego stands in the way of success of women entrepreneurs. Thus, the rigid social attitudes prevent a woman from becoming a successful entrepreneur.

11) Low Need for Achievement: Generally, a woman will not have strong need for achievement. Every women suffers from the painful feeling that she is forced to depend on others

in her life. Her pre-conceived notions about her role in life inhibit achievement and independence.

12) Lack of Training: A women entrepreneur from middle class starts her first entrepreneurial venture in her late thirties or early forties due to her commitments towards children. Her biggest problem is the lack of sufficient business training.

13) Lack of Information: Women entrepreneurs sometimes are not aware of

technological developments and other information on subsidies and concessions available to them. They may not know how to get loans, industrial estates, raw materials etc.

REMEDIES TO SOLVE THE PROBLEMS OF WOMEN ENTREPRENEURS

The following measures may be taken to solve the problems faced by women entrepreneurs

in India:

1) In banks and public financial institutions, special cells may be opened for providing easy finance to women entrepreneurs. Finance may be provided at concessional rates of interest.

2) Women entrepreneurs' should be encouraged and assisted to set up co-operatives with a view to eliminate middlemen.

3) Scarce and imported raw materials may be made available to women entrepreneurs on priority basis.

4) Steps may be taken to make family members aware of the potential of girls and their due role in society.

5) Honest and sincere attempts should be undertaken by the government and social organizations to increase literacy among females.

6) In rural areas self employment opportunities should be developed for helping women.

7) Marketing facilities for the purpose of buying and selling of both raw and finished goods should be provided in easy reach.

8) Facilities for training and development must be made available to women entrepreneurs. Family members do not like women to go to distant place for training. Therefore mobile training centres should be arranged. Additional facilities like stipend, good hygienic crèches, transport facilities etc., should be offered to attract more women to training centers.

MEASURES TAKEN FOR THE DEVELOPMENT OF WOMEN ENTREPRENEURSHIP IN INDIA

Women empowerment should be one of the primary goals of a society. Women should be given equality, right of decision-making and entitlements in terms of

dignity. They should attain economic independence. The most important step to achieve women empowerment is to create awareness among women themselves. Development of women can be achieved through health, education and economic independence. Realizing the importance of women entrepreneurs, Govt. of India has taken a number of measures to assist them. Some of the important measures are outlined as follows:

1) TRYSEM: Training of Rural Youth For Self Employment was launched on 15th August 1979 which is still continuing. The objective of TRYSEM is to provide technical skills to rural youth between 18 and 35 years of age from families below the poverty line to enable them to take up self employment in agriculture and allied activities, industries, services and business activities. This is a sub scheme of IRDP. Training given through ITIs, Polytechnics, Krishi Vigyan Kendra, Nehru Yuva Kendras etc has helped many rural women set up their own micro enterprises with IRDP assistance.

2) BANKS: Banks particularly commercial banks have formulated several schemes to benefit women entrepreneurs. These includes Rural Entrepreneurship Development Programmes and other Training programmes, promotion of rural non-farm enterprise, women ventures etc.

3) NABARD: NABARD as an apex institution guides and assists commercial banks in paying special attention to women beneficiaries while financing. It has also been providing refinance to commercial banks so as to help the latter institutions to supplement their resources which could be deployed for the purpose of financing women beneficiaries.

4) INDUSTRIAL POLICY: The new Industrial policy of Government has specially highlighted the need for conducting special entrepreneurship programme for women.

5) INSTITUTIONS AND VOLUNTARY ASSOCIATION: Several voluntary agencies like **FICCI Ladies Organization (FLO), National Alliance of Young Entrepreneurs (NAYE)** and others assist women entrepreneurs.

NAYE has been a leading institution engaged in the promotion and development of entrepreneurship among women. It convened a conference of women entrepreneurs in November

1975. It assists the women entrepreneurs in:

(a) Getting better access to capital, infrastructure and markets. (b) Identifying investment opportunities.

(c) Developing managerial and productive capabilities.

(d) Attending to problems by taking up individual cases with appropriate authorities. (e) Sponsoring participation in trade fairs, exhibitions, special conference etc.

6) NATIONAL POLICY FOR THE EMPOWERMENT OF WOMEN, 2001: As to the commitments made by India during the Fourth World Conference on women held in Beijing during September, 1995, the Department of women and children has drafted a national policy for the empowerment of women. This is meant to enhance the status of women in all walks of life at par with men.

ASSISTANCE TO WOMEN ENTREPRENEURS

Entrepreneurship does not differentiate the sex. A number of facilities and assistance are offered to the entrepreneurs. However, certain additional incentives or facilities offered to women entrepreneurs are discussed as follows.

- **SMALL INDUSTRIAL DEVELOPMENT ORGANISATION (SIDO)** : SIDO through a network of SISIs conduct the EDPs exclusively for women entrepreneurs. The aim is to develop entrepreneurial traits and qualities among women and enable them to identify entrepreneurial opportunities etc.

- **NATIONAL SMALL INDUSTRIES CORPORATION (NSIC) :** The H.P. scheme of NSIC provides preferential treatment to women entrepreneurs. It also conducts Entrepreneurs and Enterprise Building programmes for women.

INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) :

The schemes of IDBI for women entrepreneurs are summarized as follows:

PROMOTER'S CONTRIBUTION: The IDBI set up the **Mahila Udyan Nidhi (MUN)** and **Mahila Vikas Nidhi (MVN)** schemes to help women entrepreneurs. IDBI conduct programmes of training and extension services through designated approved agencies and association with other development agencies like EDII, TCOs, KVIC etc.

- **SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)**: SIDBI has

special schemes for financial assistance to women entrepreneurs. It provides training and extension services. It gives financial assistance at concessional terms in setting up tiny and small units.

- **COMMERCIAL BANKS**: The ***"Sthree Shakthi Package Scheme"*** of SBI provides a package of assistance to women entrepreneurs. The consultancy wings of SBI give guidance

on project identification and project viability. The program of assistance such as repair and servicing, photo copying, dry cleaning, retail trade business enterprises, poultry farming, tailoring etc. The Bank Of India has introduced a scheme known as ' Priyadarshini Yojana' to help women entrepreneurs.

- **KUDUMBASREE UNITS:** With the objectives of poverty eradication and women empowerment Kudumbasree has been introduced in Kerala. The poor women are organised into community- based organisations. They start and operate micro enterprise. They earn income through self-employment.

SELF-HELP GROUP

A self-help group (SHG) is a village-based financial intermediary usually composed of 10–20 local women or men. A mixed group is generally not preferred. Most self-help groups are located in India, though SHGs can also be found in other countries, especially in South Asia and Southeast Asia.

Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHG's are 'linked' to banks for the delivery of micro-credit

Structure

A self-help group may be registered or unregistered. It typically comprises a group of micro entrepreneurs having homogeneous social and economic backgrounds, all voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. They pool their resources to become financially stable, taking loans from the money collected by that group and by making everybody in that group self-employed. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by micro finance institutions. To make the book-keeping simple enough to be handled by the members, flat interest rates are used for most loan calculations.

Goals

Self-help groups are started by non-governmental organizations (NGOs) that generally have broad anti-poverty agendas. Self-help groups are seen as instruments for a variety of goals including empowering women, developing leadership abilities among poor people, increasing school enrollments, and improving nutrition and the use of birth control. Financial intermediation is generally seen more as an entry point to these other goals, rather than as a primary objective. This can hinder their development as sources of village capital, as well as their efforts to aggregate locally controlled pools of capital through federation, as was historically accomplished by credit unions.

NABARD's 'SHG Bank Linkage' program

Many self-help groups, especially in India, under NABARD's SHG Bank Linkage program, borrow from banks once they have accumulated a base of their own capital and have established a track record of regular repayments.

This model has attracted attention as a possible way of delivering micro-finance services to poor populations that have been difficult to reach directly through banks or other institutions. "By aggregating their individual savings into a single deposit, self-help groups minimize the bank's transaction costs and generate an attractive volume of deposits. Through self-help groups the bank can serve small rural depositors while paying them a market rate of interest."

NABARD estimates that there are 2.2 million SHGs in India, representing 33 million members, that have taken loans from banks under its linkage program to date. This does not include SHGs that have not borrowed. "The SHG Banking Linkage Programme since its beginning has been predominant in certain states, showing spatial preferences especially for the southern region – Andhra-Pradesh, Tamil Nadu, Kerala and Karnataka. These states accounted for 57 % of the SHG credits linked during the financial year 2005–2006."

CONCEPT OF SELF HELP GROUP

The concept of self help groups had its origin in the co-operative philosophy and the co-operators by and large, including the National Federations in the credit sector, could not think of any better SHG than a primary co-operative credit society itself.2 As SHG are small and economically homogenous affinity groups of rural poor, they are voluntarily coming together for achieving the following.

1. To save small amount of money regularly.
2. To mutually agree to contribute a common fund.
3. To meet their emergency needs.
4. To have collective decision making.
5. To solve conflicts through collective leadership mutual discussion.
6. To provide collateral free loan with terms decided by the group at the market driven rates.

Today, the self help group movement is increasingly accepted as an innovation in the field of rural credit in many developing countries including India to help the rural poor considered a vehicle to reach the disadvantaged and marginalized section, which in the normal course cannot avail of credit facility from the bank.

A self help group is defined as a group consisting of people who have personal experience of a similar issue or life situation, either directly or through their family and friends. Sharing experiences enables them to give each other a unique quality of mutual support and to pool practical information and ways of coping.

Self help groups are small informal association of the poor created at the grass root level for the purpose of enabling members to reap economic benefits out of mutual help solidarily and joint responsibility. Self help groups are formed voluntarily by the rural and urban poor to save and contribute to a common fund to be lent to its members as per group decision and for working together for social and economic uplift of their families and community.

A self help group is defined as a "self governed, peer controlled information group of people with similar socio-economic background and having a desire to collectively perform common purpose." Self help group have been able to mobilize small savings either on weekly or monthly basis from persons who were not expected to have any savings. They have been able to effectively recycle the resources generated among the members for meeting the productive and emergent credit needs of members of the group.

The Tamil Nadu Corporation for Development of Women Ltd. (TNCDW) in its credit guidelines for the SHGs defines as a small economically homogenous affinity group of rural poor, voluntarily formed to save and contribute to a common fund to be lent to its members as per group decision and for working together for social and economic uplift of their family and community. The distinguishing features of self help groups are given below.

i) An SHG normally consists of not less than five persons (with a maximum of twenty) of similar economic outlook and social status.

ii) It promotes objectives like economic improvement and raising resources for development and freedom from exploitation.

iii) It has its own by-laws for the proper functioning of the group as well as for the observance of certain rules by the group members and regulations concerning membership.

iv) The form of such a group could be mostly on an informal basis (unregistered).

v) Periodical meetings of members are held for solving their problems (economic and social) and they collect fixed savings of the members.

vi) The savings of members are kept with a bank in the name of group and authorized representative of the group operates the bank account. The deposit kept in the bank is used for giving loans to members for purposes including consumption at the rate of interest decided by the group (usually higher than what the banks charge).

vii) Sources of funds are the contribution of members savings, entrance fee, interest from loans, proceeds of joint business operation and income from investment. Funds may be used for loans, social services and common investment. The SHG, being a group of like-minded persons, gets empowered to solve most of its problems of a non-financial nature such as raw material and input supply marketing, better adoption of technology, education and training for realization of its objectives for development.

NEED AND IMPORTANCE OF SELF HELP GROUP

Self help groups are necessary to overcome exploitation, create confidence for the economic self-reliance of rural people, particularly among women who are mostly invisible in the social structure. These groups enable them to come together for common objective and gain strength from each other to deal with exploitation, which they are facing in several forms. A group become the basis for action and change. It also helps buildings of relationship for mutual trust between the promoting organization and the rural poor through constant contact and genuine efforts. Self help groups plays an important role in differentiating between consumer credit and production credit, analyzing the credit system for its implication and changes in economy, culture and social position of the target groups, providing easy access to credit and facilitating group/organization for effective control, ensuring repayments and continuity through group dynamics; setting visible norms for interest rates, repayment schedules, gestation period, extension, writing of bad debts; and assisting group members in getting access to the formal credit institutions. Thus, self help group disburses microcredit to the rural women for the purpose of making them enterprising women and encouraging them to enter into entrepreneurial activities. Credit needs of the rural and urban poor women are

fulfilled totally through the SHGs. SHGs enhance equality of status of women as participation, decision-makers and beneficiaries in the democratic, economic, social and cultural spheres of life.

The rural poor are in-capacitated due to various reasons such as; most of them are socially backward, illiterate, with low motivation and poor economic base. Individually, a poor is not weak in socio-economic term but also lacks access to the knowledge and information, which are the most important components of today's development process. However, in a group, they are empowered to overcome many of these weaknesses, hence there are needs for SHGs which is specific terms are as under :-

- To mobilize the resources of the individual members for their collective economic development.
- To uplift the living conditions of the poor.
- To create a habit of savings, utilization of local resources.
- To mobilize individual skills for group's interst.
- To create awareness about right.
- To assist the members financial at the rime of need.
- Entrepreneurship development.
- To identify problems, analyzing and finding solutions in the groups.
- To act as a media for socio-economic development of village.
- To develop linkage with institution of NGOs.
- To organize training for skill development.
- To help in recovery of loans.
- To gain mutual understanding, develop trust and self-confidence.
- To build up teamwork.
- To develop leadership qualities.
- To use it as an effective delivery channel for rural credit.

CHARACTERISTICS OF SHGS

The important characteristics of self help groups are as follows :

1. They usually create a common fund by contributing their small savings on a regular basis.
2. The groups evolve a flexible system of operations often with the help of the non-governmental organizations (NGOs) and manage their common pooled resource in a democratic manner.
3. Groups consider loan requests in periodical meetings, with competing claims on limited resources being settled by consensus regarding greater needs.
4. Loaning is mainly on the basis of mutual need and trust with minimum documentation and without any tangible security.
5. The amounts loaned are small, frequent and for short duration.
6. Rates of interest vary from group to group depending upon the purpose of loans and are often higher than those of banks but lower than those of moneylenders.
7. At periodical meetings, besides collecting money, emerging rural, social and economic issues are discussed.
8. Defaulters are rare due to group pressure and intimate knowledge of the end use of the credit as also the borrower's economic resources.4

THE FEATURES OF SELF HELP GROUPS

According to D'souza5 the SHGs are basically small informal groups, characterized by voluntary memberships, a democratic and consultative structure of governance, economic participation of members, autonomy, education and training and concerns for the poor. Apart from a number of things, the members do as a group, they pool their savings and lend within the group to meet the credit needs of the members. Creation of a common fund by regular contribution of members and insurance of loan with minimum documents and often without any security are, in fact, the key features of SHGs.

Fund generation in the initial stages may be substantially low in these groups. Such funds though meager, will be supplemented by external resources mainly, loans from banks or grants given by NGOs, which promote them. SHGs offer to members preliminary banking services characterized by cost effectiveness, flexibility and freedom from defaults. Assessment of the credit needs of members is done periodically at group

meetings. The claims for credit are settle within the group by consensus. In case of any surplus, the amount is deposited in the bank or post offices. Defaulters are subjected to severe penalties but such occurrences are unusual. There is always peer group pressure on those who avail loans which to a large extent prevent defaults. The influence of the group on members is very powerful because it can put actions against defaulters and monitor the behaviour of members in order to forestall default.

FUNCTIONS OF SHGS

The important functions of SHG are the following :-

i) Enabling members to become self-reliant and self-dependent.

ii) Providing a forum for members for discussing their social and economic problems.

iii) Enhancing the social status of members by virtue of their being members of the group.

iv) Providing a platform for members for exchange of idea.

v) Developing and encouraging the decision making capacity of members.

vi) Fostering a spirit of mutual help and cooperation among members.

vii) Instilling in members a sense of strength and confidence which they need for solving their problems.

viii) Providing organizational strength to members.

ix) Providing literacy and increasing general awareness among members, and

x) Promoting numerically and equipping the poor with basic skills required for understanding monetary transactions.

Thus the SHGs function on the principle of the five 'p's.7

i) Propagator of voluntarism

ii) Practioner of mutual help

iii) Provider of timely emergency loan

iv) Promoter of thrift and savings, and

v) Purveyor of credit.

ROLE OF SELF HELP GROUPS:

Self Help Groups are voluntary associations for the poor who come together to improve their socio - economic conditions. They are informal

groups, which operates based on the principles of Self Help mutual trust and Co-operation.

DEFINITION:

NABARD defines SHG " as a homogeneous group rural poor voluntarily formed to save whatever amount they can conveniently funds of the group to be lent to the members for meeting productive and emergent credit needs. In order to achieve the independent movement of Rural people, with reference to improve their socio-economic status, the self help groups have been formed. The main purposes for starting Self Help Groups are,

- To develop the poor women
- To raise the level of social consciousness of members.
- To work for social and economic empowerment and
- To bring about gender equality in the society.
- To fulfill their commitments without depending other and
- To develop the self – confidence and awareness in the society.

The **concept of SHG** is based on the following principles:

- Self-help supplemented with mutual help can be a powerful vehicle for the poor in their socioeconomic development;
- Participative financial services management is more responsive and efficient;
- Poor need not only credit support, but also savings and other services;
- Poor can save and are bankable and SHGs as clients, result in wider out reach, lower transaction cost and much lower risk costs for the banks;
- Creation of a common fund by contributing small savings on a regular basis;
- Flexible democratic system of working;
- Loaning is done mainly on trust with a bare documentation and without any security;
- Amounts loaned are small, frequent and for short duration;
- Defaults are rare mainly due to group pressure; and

Advantages of financing through SHGs

- An economically poor individual gains strength as part of a group.
- Besides, financing through SHGs reduces transaction costs for both lenders and borrowers.
- While lenders have to handle only a single SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG cut down expenses on travel (to & from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans.

EMPOWERING WOMEN THROUGH SELF-HELP GROUPS:

The Government of India and state authorities alike have increasingly realized the importance of devoting attention to the economic betterment and development of rural women in India. The Indian Constitution guarantees that there shall be no discrimination on the grounds of gender. In reality, however, rural women have harder lives and are often discriminated against with regard to land and property rights, and in access to medical facilities and rural finance. Women undertake the more onerous tasks involved in the day-to-day running of households, including the collection of fuel wood for cooking and the fetching of drinking water, and their nutritional status and literacy rates are lower than those of men. They also command lower wages as labour: as rural non-agricultural labourers, women earn 44 rupees per day compared to 67 rupees for men [1]. Women's voice in key institutions concerned with decision making is also limited. In 2007, only 8 per cent of all seats in the national parliament were occupied by women.

Women's empowerment has long been a central feature of the partnership between IFAD and the Government of India. Key instruments for supporting women's empowerment are self-help groups, whereby 10-20 rural women from the same village, mostly poor women, come together to contribute two-weekly or monthly dues as savings and provide group loans to their members. The self-help group approach was not created by IFAD-supported operations, but IFAD has contributed to the mainstreaming of this approach in India and to financing programmes for promoting self-help groups in states such as Tamil Nadu and Maharashtra supported by the Women's Development Corporation, an arm of the State Government involved in supporting women's development.

Self-help groups are generally facilitated by NGOs, and increasingly advise and train members in a variety of on- and off-farm income-generating activities. Indeed, in a number of recent projects, NGOs were substituted by trained facilitators and animators drawn from self-help groups. Through promoting self-help group, IFAD-funded projects have contributed to improving the overall status of women in terms of income, empowerment, welfare, etc.

In the Rural Women's Development and Empowerment Project, for example, 90 per cent of the beneficiaries reported increased access to and control over resources such as land, dwellings and livestock. Under the Livelihoods Improvement Project in Himalayas, women self-help group members in Uttarakhand were even elected *as* gram pradhans (heads of the local governments at the village or small town level) in 170 out of 669 *panchayats* in villages. In those operations, the country programme evaluation also found unequivocal advances in the self-confidence and assertiveness of self-help group members. In the Tamil Nadu Women's Development Project, 50 per cent of women self-help group members reported that, for the first time in their lives, they had visited new places and travelled longer distances, while 90 per cent had interacted with institutions such as banks, NGOs and project agencies.

The impact study on the Jharkhand and Chhattisgarh Project reveals that access to finance through group savings and lending to members had allowed women to become increasingly involved in economic activities such as the collection and sale on local markets of non-timber forest products. However, the study also noted that greater effectiveness would have been achieved if the project had stressed value-addition and promoted market linkages. The box below provides an example in how self-help groups introduced changes into women's lives.

LINKS TO FORMAL RURAL FINANCE

Another important feature of self-help groups has been the establishment of links between self-help groups and the formal microfinance institutions and commercial banks. To give one example, the Firsipur branch of the Bank of Maharashtra is financing more than 400 self-help groups in the district, lending on average about US$1,600 per group. The bank has set up its own in-house NGO to support these efforts. Loans are provided

only to the groups, not individuals (although the groups normally on-lend to individual members). Recovery rates on the loans stand at 99 per cent. In addition to lending to self-help group, which is profitable for the bank, ancillary business has been brought in through self-help group members opening deposit accounts and taking loans as individuals. The impact of the commercial banks' links to self-help groups is attested to by members. In Urali Devachi village (mentioned in the box), members' loans have provided the wherewithal to purchase a flour mill, and the working capital for a market stall selling refreshments and a shop selling saris. Members have used the loans to pay off moneylenders, and for education and health needs.

CHALLENGES

Apart from weak market linkages in the context of income-generating activities, there are also a few other concerns in relation to women's empowerment. First is the capacity building of self-help groups, which are in need of support in accounting, financial management, and organisational development. The second concern is about the gender focus in rural financial services. Despite the focus in project design, there were gaps during implementation. In Maharashtra Rural Credit Project, women tended to be small borrowers and were able to capture only 32 per cent of the bank credit that was provided. Therefore gender focus in designing and implementing rural microfinance services should be enhanced. The third challenge is about how to link self-help groups to agricultural activities, which are of key importance for the livelihoods of small farm holders in India, but at the moment self-help groups have not taken much agricultural activities, as the decisions on agriculture are mainly taken by men.

POSSIBLE QUESTIONS : UNIT – I

PART – B

1. Define the term entrepreneur and explain the qualities of an entrepreneur.
2. Distinguish between Entrepreneur and Intrapreneur?
3. Define the term entrepreneurship and elaboratethe scope and significance of entrepreneurship.
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. Discuss the various types of an entrepreneur with suitable examples?
10. Determine the various factors affecting entrepreneurship.

***CIA – 3 X 10 = 30 Marks (EITHER OR TYPE)**

****ESE – 5 X 8 = 40 Marks (EITHER OR TYPE)**

UNIT II

Entrepreneurship Development Programmes – Need – Objectives - Phases- Evaluation. Institutional Support to Entrepreneurs – SFC – SIDCs – SIPCOT – TIIC - SIDBI

ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES

Entrepreneurship and economic development are intimately related. Schumpeter opines that entrepreneurial process is a major factor in economic development and the entrepreneur is the key to economic growth. Whatever be the form of economic and political set-up of the country, entrepreneurship is indispensable for economic development. Entrepreneurship is an approach to management that can be applied in start-up situations as well as within more established businesses. The growing interest, in the area of entrepreneurship has developed alongside interest in the changing role of small businesses. Small entrepreneurship has a fabulous potential in a developing country like India. So, statistical data and its analyses of several countries show that small industries have grown faster than large industries over the last couple of decades. Large industries first lost jobs while small industries created new workplaces. The crux of the article is to examine the role of entrepreneurship in economic development. The focus is on small scale industries, which led to the main source of employment in the country.

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

(1) Promotes Capital Formation:

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

(2) Creates Large-Scale Employment Opportunities:

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

(3) Promotes Balanced Regional Development:

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

(4) Reduces Concentration of Economic Power:

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

(5) Wealth Creation and Distribution:

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

(6) Increasing Gross National Product and Per Capita Income:

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

Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

(6) Improvement in the Standard of Living:

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

(7) Promotes Country's Export Trade:

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

(8) Induces Backward and Forward Linkages:

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

(9) Facilitates Overall Development:

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

Entrepreneurship Development Programmes: Meaning, Need and Objectives of EDP!

As the term itself denotes, EDP is a programme meant to develop entrepreneurial abilities among the people. In other words, it refers to inculcation, development, and polishing of

entrepreneurial skills into a person needed to establish and successfully run his / her enterprise. Thus, the concept of entrepreneurship development programme involves equipping a person with the required skills and knowledge needed for starting and running the enterprise.

Let us also consider a few important definitions of EDPs given by institutions and experts:

Small Industries Extension and Training Institute (SIET 1974), now National Institute of Small Industry Extension Training (NISIET), Hyderabad defined EDP as "an attempt to develop a person as entrepreneur through structural training.

The main purpose of such entrepreneurship development programme is to widen the base of entrepreneurship by development achievement motivation and entrepreneurial skills among the less privileged sections of the society."

According to N. P. Singh (1985), "Entrepreneurship Development Programme is designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. It is necessary to promote this understanding of motives and their impact on entrepreneurial values and behaviour for this purpose." Now, we can easily define EDP as a planned effort to identify, inculcate, develop, and polish the capabilities and skills as the prerequisites of a person to become and behave as an entrepreneur.

Need for EDPs:

That, entrepreneurs possess certain competencies or traits. These competencies or traits are the underlying characteristics of the entrepreneurs which result in superior performance and which distinguish successful entrepreneurs from the unsuccessful ones.

Then, the important question arises is: where do these traits come from? Or, whether these traits are in born in the entrepreneurs or can be induced and developed? In other words, whether the entrepreneurs are born or made? Behavioural scientists have tried to seek answers to these questions.

A well-known behavioural scientist David C. McClelland (1961) at Harvard University made an interesting investigation-cum-experiment into why certain societies displayed great creative powers at particular periods of their history? What was the cause of these creative bursts of energy? He found that 'the need for achievement (n' ach factor)' was the answer to this question. It was the need for achievement that motivates people to work hard. According to him, money- making was incidental. It was only a measure of achievement, not its motivation.

In order to answer the next question whether this need for achievement could be induced, he conducted a five-year experimental study in Kakinada, i.e. one of the prosperous districts of Andhra Pradesh in India in collaboration with Small Industries Extension and Training Institute (SIET), Hyderabad.

This experiment is popularly known as 'Kakinada Experiment'. Under this experiment, young persons were selected and put through a three-month training programme and motivated to see fresh goals. One of the significant conclusions of the experiment was that the traditional beliefs did not seem to inhibit an entrepreneur and that the suitable training can provide the necessary motivation to the entrepreneurs (McClelland & Winter 1969). The achievement motivation had a positive impact on the performance of entrepreneurs.

In fact, the 'Kakinada Experiment' could be treated as a precursor to the present day EDP inputs on behavioural aspects. In a sense, 'Kakinada Experiment' is considered as the seed for the Entrepreneurship Development Programmes (EDPs) in India. The fact remains that it was the 'Kakinada Experiment' that made people appreciate the need for and importance of the entrepreneurial training, now popularly known as 'EDPs', to induce motivation and competence among the young prospective entrepreneurs.

Based on this, it was the Gujarat Industrial Investment Corporation (GIIC) which, for the first time, started a three-month training programmes on entrepreneurship development. Impressed by the results of GIIC's this training programme, the Government of India embarked, in 1971, on a massive programme on entrepreneurship development. Since then, there is no looking back in this front. By now, there are some 686 all-India and State level institutions engaged in conducting EDPs in hundreds imparting training to the candidates in thousands.

Till now, 12 State Governments have established state-level Centre for Entrepreneurship Development (CED) or Institute of Entrepreneurship Development (lED) to develop entrepreneurship by conducting EDPs. Today, the EDP in India has proliferated to such a magnitude that it has emerged as a national movement. It is worth mentioning that India operates the oldest and largest programmes for entrepreneurship development in any developing country.

The impact of India's EDP movement is borne by the fact that the Indian model of entrepreneurship development is being adopted by some of the developing countries of Asia and Africa. Programmes similar to India's EDPs are conducted in other countries also, for example,

'Junior Achievement Programme' based on the principle of 'catch them young' in USA and 'Young Enterprises' in the U. K.

Objectives of EDP:

The major objectives of the Entrepreneurship Development Programmes (EDPs) are to:

a. Develop and strengthen the entrepreneurial quality, i.e. motivation or need for achievement.

b. Analyse environmental set up relating to small industry and small business.

c. Select the product.

d. Formulate proposal for the product.

e. Understand the process and procedure involved in setting up a small enterprise.

f. Know the sources of help and support available for starting a small scale industry.

g. Acquire the necessary managerial skills required to run a small-scale industry.

h. Know the pros and cons in becoming an entrepreneur.

i. Appreciate the needed entrepreneurial discipline.

j. Besides, some of the other important objectives of the EDPs are to:

k. Let the entrepreneur himself / herself set or reset objectives for his / her enterprise and strive for their realization.

l. Prepare him / her to accept the uncertainty in running a business.

m. Enable him / her to take decisions.

n. Enable to communicate clearly and effectively.

o. Develop a broad vision about the business.

p. Make him subscribe to the industrial democracy.

q. Develop passion for integrity and honesty.

r. Make him learn compliance with law.

Phases and Evaluation of EDP

Phase of Entrepreneurship Development Programme: Training Phase and Post-Training Phase!

Training Phase:

The main objective of this phase is to bring desirable change in the behaviour of the trainees. In other words, 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 the trainees:

a. Is he/she attitudinally tuned very much towards his/her proposed project idea?

b. Is the trainee motivated to plunge into entrepreneurial career and bear risks involved in it?

c. Is there any perceptible change in his entrepreneurial attitude, outlook, skill, role, etc.?

d. How should he/she behave like an entrepreneur?

e. What kinds of entrepreneurial traits the trainee lacks the most?

f. Whether the trainee possesses the knowledge of technology, resources and other knowledge related to entrepreneurship?

g. Does the trainee possess the required skill in selecting the viable project, mobilizing the required resources at the right time?

Some of the questions listed above also answer the basic underlying assumption in designing a suitable training programme for the potential entrepreneurs. Having trained the trainees, the trainers need to ask themselves as to how much, and how far the trainees have moved in their entrepreneurial pursuits.

Post-Training Phase (Follow-up):

The ultimate objective of Entrepreneurship Development Programme is to prepare the participants to start their enterprises. This phase, therefore, involves assessment to judge how far the objectives of the programme have been achieved. This is also called 'follow-up'. Follow-up indicates our past performance, drawbacks, if any, in our past work and suggests guidelines for framing future policies to improve our performance.

In nutshell, the purpose behind EDP follow-up is to:

a. Review the pre-training work;

b. Review the process of training programme; and

c. Review past training approach.

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. 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, 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 un-subsidized 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 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.

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 sect oral 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:
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,

vii) science technology and environment and

viii)general economic services.

In the estimation of subsidies these governmental services are divided into three groups:

Group1: all general services, secretariat expenses in social and economics services, and expenditure on natural calamities are included in this subgroup. Being public goods, these are financed out of taxation and are therefore not included in the estimation of subsidies.

Group 2: it consists of services with strong externalities associated with them. In the case of these services, it is arguable that even though the exclusion may be possible, these ought to be treated as merit goods or near-public goods. The provision of subsidies is most justified in this case. Near zero recovery rates in these cases only indicate the societal judgement that these may be financed out of tax-revenues. Merit social services: elementary education, public health, sewerage and sanitation, information and publicity, welfare of SC, ST's and OBC's, labour, social welfare and nutrition etc.

Merit economic services: soil and water conservation, environmental forestry and wildlife, agricultural research and education, flood control and drainage, roads and bridges, space research, oceanographic research, other scientific research, ecology and environment and meteorology.

Group 3: all the remaining services are clubbed under this head. In these cases consumption is rival and exclusion is possible, therefore cost-recovery is possible through user charges. These services are regarded as non-merit services in the estimation of subsidies.

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 end 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 in1995-96 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 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.

AGENDA FOR REFORM

The study brings to the fore the massive magnitude of subsidies in the provision of economic and social services by the government. Even if merit subsidies are set aside, the remaining subsidies alone amount to 10.7% of GDP, comprising 3.8% and 6.9% of GDP, pertaining to Centre and State subsidies respectively. The average all-India recovery rate for these non-merit goods/services is just 10.3%, implying a subsidy rate of almost 90%. The macroeconomic costs of unjustified subsidies are mirrored in persistent large fiscal deficits and consequently higher interest rates. In addition, unduly high levels of subsidization reflected in corresponding low user charges produce serious micro-economic distortions as well. Its prime manifestations include excessive demand for subsidized services, distortions in relative prices and misallocation of resources. These are discernible in the case of certain input based subsidies. These problems are further compounded where the subsidy regime is plagued by leakages which ensure neither equity nor efficiency.

THE AGENDA FOR REFORM SHOULD THEREFORE FOCUS ON:

Reducing the overall scale of subsidies

Making subsidies as transparent as possible

Using subsidies for well defined economic objectives

Focusing subsidies to final goods and services with a view to maximizing their impact on the target population at minimum cost

INSTITUTING SYSTEMS FOR PERIODIC REVIEW OF SUBSIDIES

Setting clear limits on duration of any new subsidy schemes

A subsidy, often viewed as the converse of a tax, is an instrument of fiscal policy. Derived from the Latin word 'subsidies', a subsidy literally implies coming to assistance from behind. However, their beneficial potential is at its best when they are transparent, well targeted, and suitably designed for practical implementation.

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 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.

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.

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.

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.

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 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 **s**implified 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.

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 upton 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)
- **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 enterpreneurs

- **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 dthe 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 overa 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 data of commencement of production or from the data of power connection, after allotment of an Entrepreneur Memorandum from District Industries Centre.

MAIN INCENTIVE SCHEMES

GOVT. OF INDIA

Name of Schemes	Salient features	Eligible beneficiaries
Prime Minister's Employment Generation Programme	25% subsidy for entrepreneurs of urban area, 35% subsidy for entrepreneurs of rural area, 5% of project cost as beneficiaries' contribution & balance 95% loan from banks.	Educated unemployed youth.
ISO-9000/ISO-14001 Certification Fee Reimbursement	Reimbursement of expenses incurred in acquiring ISO-9000/ISO-14001 Certification, at 75% of the cost or	Individual MSEs including those engaged

Scheme	Rs.75,000 whichever is less.	in business/ services.
Market Development Assistance Scheme.	• To encourage participation in international trade fairs for export promotion. • 100% subsidy on space rent for NER. • 100% reimbursement of air fare by economy class for NER. • Reimbursement of 75% of one time registration fee for obtaining Bar Code Registration. • Reimbursement of 75% of annual fee for the first three years.	Individual micro & small enterprises
Credit Appraisal and and Rating Tool(CART)	Reimbursement of performance and credit rating fee through reputed credit rating agencies.	Individual micro & small enterprises.
Purchase and Price Preference in Govt. Procurement.	• 358 items are currently reserved for exclusive purchase by the Central Govt. and its PSUs from the MSMEs. • 15% price preference for Central Gov. purchases. • Tender documents is provided free of charge. • Exemption from earnest money/security deposit.	MSEs registered with NSIC.
Integrated Infrastructure Development Scheme	• To facilitate provision of building up infrastructure with necessary facilities for manufacturing and related service enterprises with reservation of 50% for rural areas.	State govts., industry associations and NGOs for development/

	• Central Govt. grants assistance upto 80% or Rs.40 million for setting up new industrial estates for MSEs. • The scheme has now been subsumed with MSE CDP.	disposal of plots/sheds on commercial basi
Mini Tool Room & Training Centr	• To improve availability of quality equipment, machines and tooling facilities. • Assistance upto 90% of the cost of plant & machinery or Rs.900 lakh whichever is less for setting up new mini tool rooms. • 75% of the cost of plant & machinery or Rs.750 lakh for upgrading existing tool rooms.	State Govts., State Govt. agencies.
Testing Centres	• To improve availability of quality testing equipments, machines and other facilities necessary for testing of raw material intermediates and finished products on payment of user charges. • Assistance upto 50% of the cost of testing equipment and machinery or Rs.50 lakh whichever is less.	State Govts., State Govt. agencies.
Assistance to Entrepreneurship Development Institutes	Financial assistance in the form of non-recurring grant for strengthening infrastructure like building, training aids/equipment and	State/UT Govt. and other agencies involved in

	other support services on matching (50:50 basis) of the cost or Rs.100 lakh whichever is less.	entrepreneurship development.
Capacity Building, Strengthening of Database and Advocacy by Industry/ Enterprise Association.	• To strengthen the role and increase efficiency of the Associations of Micro and Small Enterprises. • Financial assistance upto Rs.10 lakh for computers, photocopier, consumables, travel expense etc. • Assistance will be required to meet 50% of the total sanctioned amount from their resources.	Micro & Small Enterprises Associations.
Financial Assistance for Bar Code Certification	• Reimbursement of 75% of one-time registration fee. • Reimbursement of 75% of annual fee (recurring) of Bar Code Certification for the period of first three years.	Individual Micro and Small enterprises
Rajeev Gandhi Udyami Mitra Yojana	• To provide handholding support to potential first generation entrepreneurs. • Financial assistance @ Rs.4000/- per trainee for service enterprises and @ Rs.6000/- per trainee for manufacturing enterprises would be provided to Udyami Mitras as handholding charges. • For the beneficiaries from NER the beneficiary's contribution of Rs.1000/- shall also be provided as grant.	EDIs, NSIC, SIDC, KVIC, SPVs, MSME-DI , Associations of MSEs/ SSIs, Universities/ Institutes.

	• For empanelment as Udyami Mitra the interested institution to apply on prescribed format through the Director of Industries, Govt. of Manipur.	
National Awards	• To encourage and appreciate the outstanding efforts of MSMEs in three categories (i) Entrepreneurship, (ii) Quality upgradation and (iii) Research and Development. • First National Award: Rs.1,000,000/- cash prize, a Trophy and a Certificate. • Second National Award: Rs.75,000/- cash prize, a Trophy and a Certificate. • Third National Award: Rs.50,000/- cash prize, a Trophy and a Certificate. • Special National Award to Woman Entrepreneur: Rs.1,00,000/- cash prize, a Trophy and a Certificate. • Special National Award for SC/ST Entrepreneur : Rs.1,00,000/- cash prize, a Trophy and a Certificate. • Special National Award to Outstanding Entrepreneur from	Individual MSMEs.

	NER : Rs.1,00,000/- cash prize, a Trophy and a Certificate. • Special Recognition Award to MSMEs Scoring Marks above 80% (50% in case of NER) : Rs.20,000/- cash prize, a Trophy and a Certificate each.	

POSSIBLE QUESTIONS

PART – B

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 fiancial 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.

***CIA – 3 X 10 = 30 Marks (EITHER OR TYPE)**

****ESE – 5 X 8 = 40 Marks (EITHER OR TYPE)**

UNIT III

Institutional Setup – District Industries Centres (DICs) – Micro Small Medium Enterprises (MSMED) – Small Industries Development Organization (SIDO) – National Small Industries Corporation (NSIC) - Small Industries Service Institutes (SISIs) - Indian Investment Centre (IIC) – Khadi and Village Industries Commission (KVIC).

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.

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.

3. Skill development training through own workshop/ organisation like SISI, PDTC/ Coir Board/ETDC.
4. Managerial capability improvement through training, workshop, seminars.
5. Export assistance.
6. In plant study of their SSI Units.
7. 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 scheme 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 alms 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 (1985-90) 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:

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.

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

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” be 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 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 IBDI is the apex financial institution providing assistance to industries of all types and sizes. The SSI sector's share in IBDI 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:

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.

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

enterpreneur 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.

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.

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 subsides 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.

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.

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 avails 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 ÍP 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 SERIVICE INSTITUES

At the heart of all agencies dealing with development of small industry is small industries development organization, SIDO. It was originally know 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 partition 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.

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 clents,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 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 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.

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.

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. 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 un-subsidized 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.

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 sect oral 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:

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,

vii) science technology and environment and

viii)general economic services.

In the estimation of subsidies these governmental services are divided into three groups:

Group1: all general services, secretariat expenses in social and economics services, and expenditure on natural calamities are included in this subgroup. Being public goods, these are financed out of taxation and are therefore not included in the estimation of subsidies.

Group 2: it consists of services with strong externalities associated with them. In the case of these services, it is arguable that even though the exclusion may be possible, these ought to be treated as merit goods or near-public goods. The provision of subsidies is most justified in this case. Near zero recovery rates in these cases only indicate the societal judgement that these may be financed out of tax-revenues. Merit social services: elementary education, public health, sewerage and sanitation, information and publicity, welfare of SC, ST's and OBC's, labour, social welfare and nutrition etc.

Merit economic services: soil and water conservation, environmental forestry and wildlife, agricultural research and education, flood control and drainage, roads and bridges, space research, oceanographic research, other scientific research, ecology and environment and meteorology.

Group 3: all the remaining services are clubbed under this head. In these cases consumption is rival and exclusion is possible, therefore cost-recovery is possible through user charges. These services are regarded as non-merit services in the estimation of subsidies.

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 end 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 in1995-96 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 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.

AGENDA FOR REFORM

The study brings to the fore the massive magnitude of subsidies in the provision of economic and social services by the government. Even if merit subsidies are set aside, the remaining subsidies alone amount to 10.7% of GDP, comprising 3.8% and 6.9% of GDP, pertaining to Centre and State subsidies respectively. The average all-India recovery rate for these non-merit goods/services is just 10.3%, implying a subsidy rate of almost 90%. The macroeconomic costs of unjustified subsidies are mirrored in persistent large fiscal deficits and consequently higher interest rates. In addition, unduly high levels of subsidization reflected in corresponding low user charges produce serious micro-economic distortions as well. Its prime manifestations include excessive demand for subsidized services, distortions in relative prices and misallocation of resources. These are discernible in the case of certain input based subsidies. These problems are further compounded where the subsidy regime is plagued by leakages which ensure neither equity nor efficiency.

THE AGENDA FOR REFORM SHOULD THEREFORE FOCUS ON:

Reducing the overall scale of subsidies

Making subsidies as transparent as possible

Using subsidies for well defined economic objectives

Focusing subsidies to final goods and services with a view to maximizing their impact on the target population at minimum cost

INSTITUTING SYSTEMS FOR PERIODIC REVIEW OF SUBSIDIES

Setting clear limits on duration of any new subsidy schemes

A subsidy, often viewed as the converse of a tax, is an instrument of fiscal policy. Derived from the Latin word 'subsidies', a subsidy literally implies coming to assistance from behind. However, their beneficial potential is at its best when they are transparent, well targeted, and suitably designed for practical implementation.

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 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.

POSSIBLE QUESTIONS

PART – B

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

***CIA – 3 X 10 = 30 Marks (EITHER OR TYPE)**

****ESE – 5 X 8 = 40 Marks (EITHER OR TYPE)**

UNIT IV

Project Management - Meaning of Project - Concepts – Categories – Project life cycle Phases – Characteristics of a Project – Project Manager – Role and Responsibilities of Project Manager- Special Economic Zones (SEZs).

PROJECT MANAGEMENT

Project management is a methodical approach to planning and guiding project processes from start to finish. Project management is a methodical approach to planning and guiding project processes from start to finish. According to the Project Management Institute, the processes are guided through five stages: initiation, planning, executing, controlling, and closing. Project management can be applied to almost any type of project and is widely used to control the complex processes of software development projects.

The systems development life cycle (SDLC) is one example of a methodology for guiding the project management process from an initial feasibility study through maintenance of the completed application. Various SDLC approaches include the waterfall model, which was the original SDLC method; rapid application development (RAD); joint application development (JAD); the fountain model; the spiral model;build and fix; and synchronize-and-stabilize. A number of charting methods, such as the Gantt chartand PERT chart have been developed as tools to create a graphic representation of a project plan and its current status.

Project

Planned set of interrelated tasks to be executed over a fixed period and within certain cost and other limitations. Process in which all aspects of a proposed project are explored to examine the relationship between activities, events, durations, and costs. Areas uncertainty or conflict are identified, and possible alternatives or trade-offs are developed to strike a satisfactory balance.

Categories of Project

By Type of Assistance

There are primarily three projects of this category in the United Nations system:

a. **Institution Building Projects -** these projects normally involve the creation or upgrading of a capacity to satisfy the recurrent needs of the target beneficiaries on a sustained basis. This defines the most common ICAO project, i.e. the establishment or strengthening of different parts of the civil aviation infrastructure.

b. **Direct Support Projects** - direct Support Projects are projects formulated in response to a one-time need. They include such outputs as feasibility/pre-feasibility studies, increased skills of a particular group, research results and technical data. This type of project is not so common in the ICAO programme although occasionally direct support projects are implemented, for example when experts, who are recruited to carry out operational functions in cases where the Directorate of Civil Aviation (DCA) does not have appropriately qualified staff for the delivery of specific training courses. In this case the delivery of the course is the intention rather than the setting up of a capability within the Civil Aviation Training Centre (CATC) for its ongoing delivery.

c. **Preparatory Assistance Projects** - preparatory assistance is assistance provided by UNDP to a government for a specific project, prior to approval of full assistance for implementation. It usually has the following objectives:

- to assist a government in project formulation
- to carry out preliminary work relating to project implementation
- to assist a government in project formulation and, after its formulation, to carry out preliminary work relating to project implementation.

By Geopolitical Classification

The following projects implemented by ICAO are classified on the basis of geopolitical considerations:

d. **Country Project** - This is the most common of ICAO managed projects. Country projects are confined to improvements in the civil aviation sector within the recipient country and can be as simple as purchasing an off-the-shelf navigation aid or sophisticated as the implementation of a Civil Aviation Training Centre infrastructure comprising all of the classical components of experts, training and equipment.

e. **Regional Projects and Programmes** - In regional projects, typically, a number of States participate in the implementation of the project and take advantage of its output, which

has as its goal to improve the situation of civil aviation on a regional basis, e.g. the establishment of a common system of safety oversight for all participating states.

f. **Interregional/Global Projects and Programmes** - These projects are expected to bring benefits to States in two or more ICAO Regions or to the entire developing world. Examples would be the assistance for implementing communication facilities between, say, Senegal in the Africa Region and Brazil in the South America Region or, on a global scale, assistance in the implementation of the World Area Forecasting System in all or most developing countries.

By Type of Agreement or Funding Arrangement

The following projects implemented by ICAO are contract-dependent:

g. **Trust Funds Agreement Projects -** A trust funds project is one in which the government (or another State or funding source through the government) provides funds directly to ICAO, in trust, for work to be carried out under ICAO's administration in that State. In effect, a trust funds project is similar to a 100% UNDP cost-shared project, except that the funds are deposited directly with ICAO rather than with UNDP. ICAO applies similar financial and administrative rules and procedures to these projects, particularly in respect of provision of experts, training and equipment and is accountable to the government (and/or funding instrumentality) for these inputs. Generally speaking, project documents governing trust fund projects are less complex than those for UNDP. Project documents will, however, always embody the essential elements involved with the project's logic, time frame and budget.

h. **Management Services Agreement Projects** - A "Management Services Agreement" (MSA) project is a form of a trust fund agreement and in most aspects it is similar in nature to those agreements with one major exception: under a MSA, instead of a fixed percentage of the total project value charged under Trust Fund agreements, a specific percentage is charged for each project component based, on the estimated actual cost of delivering the service. Handling charges may increase or decrease due to changes either in the duration or the scope of the services to be supplied, thus ensuring that costs are fully covered and are appropriate to the actual work performed. This practice results in a variable cost rate.

i. **Letters of Understanding on Technical Cooperation -** Letters of Understanding on Technical Cooperation are documents signed between ICAO and a stakeholder. They are another form of a Management Service Agreement, defining the modalities for the coordination of ***future*** projects to be implemented by ICAO with assets from the respective stakeholder.

j. **Expression of Interest -** An Expression of Interest is a document prepared when it becomes known to the Technical Cooperation Bureau that a project is being considered by a Government or financing organization which is within the expertise of the Organization, but ICAO has not been invited to make an offer. An Expression of Interest is usually written in the form of an abbreviated Project Document providing background information on the project, a short overview of how ICAO proposes to implement that project and a Capability Statement indicating the reasons why ICAO should be considered as a potential candidate for that task.

k. **Civil Aviation Purchasing Service Projects** - The Civil Aviation Purchasing Service (CAPS) was established in 1974 as a facility provided by ICAO to assist developing countries in the procurement of high value equipment systems or to contract for technical services required for civil aviation. Through CAPS, countries can benefit from the comprehensive purchasing and contracting system already developed within ICAO for technical cooperation purposes.

l. **Lump Sum Agreement** - Lump Sum Agreements (LSA) are similar to the MSA but relate to specific budgeted activities of a short duration, where the total amount payable is fixed in the agreement.

Five Characteristics of a Project

Projects differ, but they have some commonalities. Table 1.1 presents some characteristics of a project.

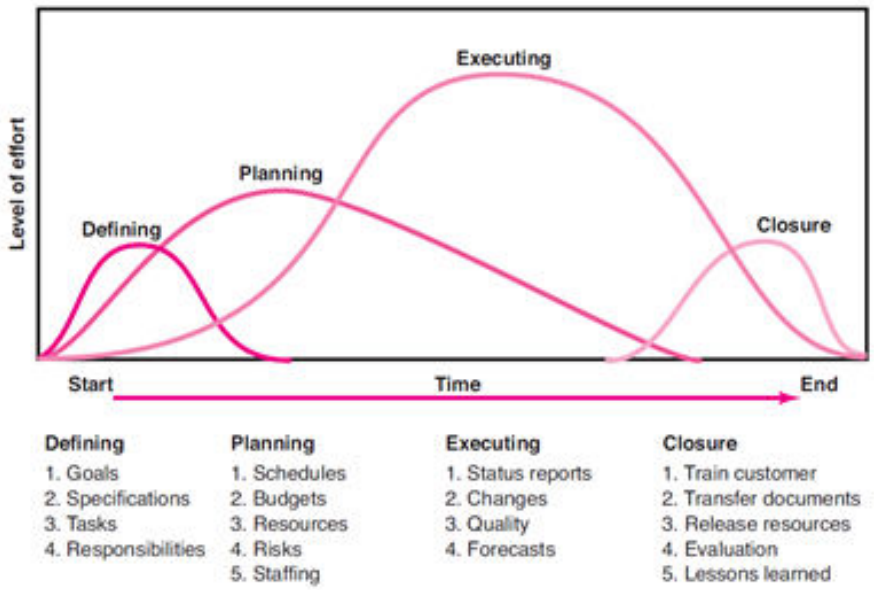
Table 1.1 Project Characteristics

Change	Projects are a way to introduce change. *Example*: A new sales website will change how clients purchase items.
Temporary	There is always a specific start and end to a project, and it should cease once

	the mandatory products are created. Ongoing maintenance of a product occurs after the project and is not considered part of the project. *Example*: The production of a software to manage sales.
Cross-Functional	A project engages people from different seniority and business departments that work together for the period of the project. *Example*: To develop sales software, people from marketing and sales departments should work closely with the IT department.
Unique	Every project is unique. *Example*: Building a fiftieth school is different from building the forty-ninth one. The location is different, the design is different, and there are different categories of students.
Uncertainty	Parts of the project are unique, which brings uncertainty. The project manager is not 100% sure how this is going to work out. *Example*: The owners might keep changing their minds about the components and functionalities of the sales software.

THE PROJECT LIFE CYCLE (PHASES)

The project manager and project team have one shared goal: to carry out the work of the project for the purpose of meeting the project's objectives. Every project has a beginning, a middle period during which activities move the project toward completion, and an ending (either successful or unsuccessful). A standard project typically has the following four major phases (each with its own agenda of tasks and issues): initiation, planning, implementation, and closure. Taken together, these phases represent the path a project takes from the beginning to its end and are generally referred to as the project "life cycle."



INITIATION PHASE

During the first of these phases, the initiation phase, the project objective or need is identified; this can be a business problem or opportunity. An appropriate response to the need is documented in a business case with recommended solution options. A feasibility study is conducted to investigate whether each option addresses the project objective and a final recommended solution is determined. Issues of feasibility ("can we do the project?") and justification ("should we do the project?") are addressed.

Once the recommended solution is approved, a project is initiated to deliver the approved solution and a project manager is appointed. The major deliverables and the participating work groups are identified, and the project team begins to take shape. Approval is then sought by the project manager to move onto the detailed planning phase.

PLANNING PHASE

The next phase, the planning phase, is where the project solution is further developed in as much detail as possible and the steps necessary to meet the project's objective are planned. In this step, the team identifies all of the work to be done. The project's tasks and resource requirements are identified, along with the strategy for producing them. This is also referred to as "scope management." A project plan is created outlining the activities, tasks, dependencies, and timeframes. The project manager coordinates the preparation of a project budget by providing

cost estimates for the labor, equipment, and materials costs. The budget is used to monitor and control cost expenditures during project implementation.

Once the project team has identified the work, prepared the schedule, and estimated the costs, the three fundamental components of the planning process are complete. This is an excellent time to identify and try to deal with anything that might pose a threat to the successful completion of the project. This is called risk management. In risk management, "high-threat" potential problems are identified along with the action that is to be taken on each high-threat potential problem, either to reduce the probability that the problem will occur or to reduce the impact on the project if it does occur. This is also a good time to identify all project stakeholders and establish a communication plan describing the information needed and the delivery method to be used to keep the stakeholders informed.

Finally, you will want to document a quality plan, providing quality targets, assurance, and control measures, along with an acceptance plan, listing the criteria to be met to gain customer acceptance. At this point, the project would have been planned in detail and is ready to be executed.

IMPLEMENTATION (EXECUTION) PHASE

During the third phase, the implementation phase, the project plan is put into motion and the work of the project is performed. It is important to maintain control and communicate as needed during implementation. Progress is continuously monitored and appropriate adjustments are made and recorded as variances from the original plan. In any project, a project manager spends most of the time in this step. During project implementation, people are carrying out the tasks, and progress information is being reported through regular team meetings. The project manager uses this information to maintain control over the direction of the project by comparing the progress reports with the project plan to measure the performance of the project activities and take corrective action as needed. The first course of action should always be to bring the project back on course (i.e., to return it to the original plan).

If that cannot happen, the team should record variations from the original plan and record and publish modifications to the plan. Throughout this step, project sponsors and other key stakeholders should be kept informed of the project's status according to the agreed-on frequency and format of communication. The plan should be updated and published on a regular basis.

Status reports should always emphasize the anticipated end point in terms of cost, schedule, and quality of deliverables. Each project deliverable produced should be reviewed for quality and measured against the acceptance criteria. Once all of the deliverables have been produced and the customer has accepted the final solution, the project is ready for closure.

CLOSING PHASE

During the final closure, or completion phase, the emphasis is on releasing the final deliverables to the customer, handing over project documentation to the business, terminating supplier contracts, releasing project resources, and communicating the closure of the project to all stakeholders. The last remaining step is to conduct lessons-learned studies to examine what went well and what didn't. Through this type of analysis, the wisdom of experience is transferred back to the project organization, which will help future project teams.

EXAMPLE: PROJECT PHASES ON A LARGE MULTINATIONAL PROJECT

A U.S. construction company won a contract to design and build the first copper mine in northern Argentina. There was no existing infrastructure for either the mining industry or large construction projects in this part of South America. During the initiation phase of the project, the project manager focused on defining and finding a project leadership team with the knowledge, skills, and experience to manage a large complex project in a remote area of the globe. The project team set up three offices. One was in Chile, where large mining construction project infrastructure existed. The other two were in Argentina. One was in Buenos Aries to establish relationships and Argentinian expertise, and the second was in Catamarca—the largest town close to the mine site. With offices in place, the project start-up team began developing procedures for getting work done, acquiring the appropriate permits, and developing relationships with Chilean and Argentine partners.

During the planning phase, the project team developed an integrated project schedule that coordinated the activities of the design, procurement, and construction teams. The project controls team also developed a detailed budget that enabled the project team to track project expenditures against the expected expenses. The project design team built on the conceptual design and developed detailed drawings for use by the procurement team. The procurement team used the drawings to begin ordering equipment and materials for the construction team; develop labor projections; refine the construction schedule; and set up the construction site. Although planning is a never-ending process on a project, the planning phase focused on developing

sufficient details to allow various parts of the project team to coordinate their work and allow the project management team to make priority decisions.

The implementation phase represents the work done to meet the requirements of the scope of work and fulfill the charter. During the implementation phase, the project team accomplished the work defined in the plan and made adjustments when the project factors changed. Equipment and materials were delivered to the work site, labor was hired and trained, a construction site was built, and all the construction activities, from the arrival of the first dozer to the installation of the final light switch, were accomplished.

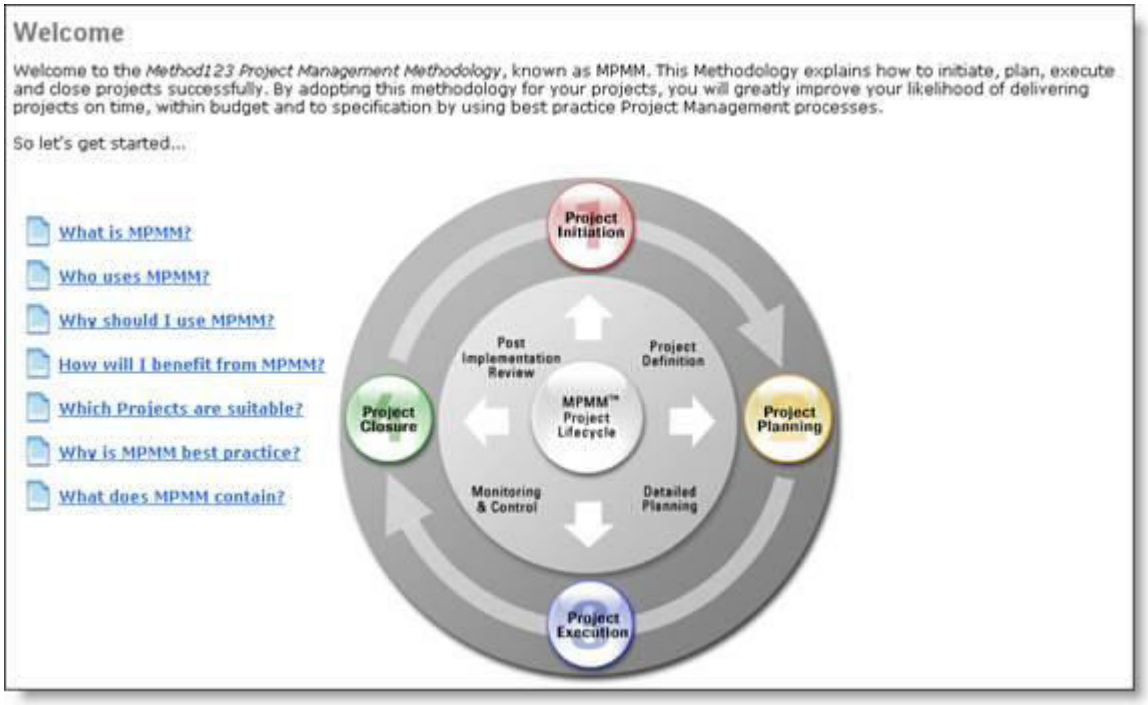
The closeout phase included turning over the newly constructed plant to the operations team of the client. A punch list of a few remaining construction items was developed and those items completed. The office in Catamarca was closed, the office in Buenos Aries archived all the project documents, and the Chilean office was already working on the next project. The accounting books were reconciled and closed, final reports written and distributed, and the project manager started on a new project.

Project Management Terms and Concepts

Before we start looking at project management in detail it's worth defining some of the basic terms and concepts. Over the next few pages we'll look at the following:

- Definition of a project
- Task
- Resource
- Schedule
- Performance risk
- Scope and scope creep
- Critical path
- Estimating project duration and costs

The MPMM Project Management Methodology is an excellent resource for this Unit, particularly Outcome 2. It describes in detail the phases, activities and tasks required to undertake a project from end-to-end. You can download a 14-day evaluation copy of the Education Edition from the MPMM web site.



Definition of a Project

A clear and accurate project definition is critical to the success of a project. The definition process consists of setting clearly defined objectives, determining the key success criteria and evaluating the risks involved. The final outcome should be a Project Definition document, sometimes referred to as a Project Charter.

The Project Definition should include a statement of the business need that the project aims to address and a description of the product, service or other deliverables that will be its output. It can be constructed by asking a series of questions:

- What is the purpose, or project mission, ie the reason for doing the project?
- What are the goals, ie what targets does the project aim to achieve.
- What is the scope of the project, ie how will the organisation gain?
- What are the quality standards and performance criteria?
- What are the measurable objectives of the project?
- What are the key success criteria?
- What are the project deliverables?
- What are the project constraints, eg time, resources, performance criteria?
- What risks are involved?

You can find a more detailed explanation of Project Definition on Spottydog's Project Management Website. The project definition process produces the information needed to begin constructing a Project Plan.

Task

A task is an activity that needs to be accomplished within a defined period of time. Tasks are generally pieces of work that require effort and resources and have a concrete outcome or deliverable. In theory a task can be of any size. Indeed, a project could be regarded as a very large task. However, the term task is normally used to refer a smaller piece of work.

Tasks take place over a period of time and usually consume resources. Projects are made up of tasks, sometimes grouped together into work packages. In practice, the term task can be applied to almost any project activity. Task durations can be long or short and there can be huge variations in costs and resource requirements.

The deliverables from many small tasks may be combined together to create the deliverable for a larger task. For example, a project manager may be allocated the task of producing a project plan. This task may involve obtaining information from a number of people. Each meeting could be regarded as a task in its own right. Some of the people the project manager meets with may also have to carry out tasks themselves in order to provide the required information.

Resource

Resources can be defined as the personnel, equipment, materials and services required to complete tasks in a project.

- Personnel are the people employed to the organisation to work on a project or task.
- Equipment is the machinery allocated to the project, whether mechanical or electronic, eg engineering machines, computers.
- Materials are the property that may be included in or attached to a deliverable or consumed or expended in performing a task. They include assemblies, components, parts, fuels and lubricants, raw and processed materials, and small tools and supplies.
- Services are areas where labour is expended without producing a tangible commodity, eg accounting, secretarial or legal services.

Schedule

A schedule is a timeline of events and activities which can be used as an operating timetable. It can be presented on a calendar framework or on an elapsed time scale and specifies the occurrence, times of events and the relative start and finish times of activities.

The schedule specifies the timing and sequence of tasks within a project, as well as the project duration. It consists mainly of tasks, dependencies among tasks, durations, constraints and time-oriented project information.

A display of project time allocation, in the form of milestones, deliverables, activities or Gantt charts, is often referred to as the project schedule.

Risk Analysis and Risk Management

A risk is an event, which is uncertain and has a negative impact on some activity. Risk analysis is the process of quantitatively or qualitatively assessing risks. It involves estimating both the uncertainty of the risk and its impact. Risk management is the use of risk analysis to devise management strategies to reduce risk.

In project management, these techniques are used to address the following questions:

- Will the project go over schedule? (Schedule Risk)
- Will the project overrun its budget? (Cost Risk)
- Will the output of the project fail to satisfy the goals? (Performance Risk)

At the beginning of a project and throughout its duration, the answers to these questions are unknown, but a 'yes' answer to any of them is obviously undesirable. Each of these elements should therefore be subjected to a risk analysis, to help project managers decide whether the project is in danger of failing to meet its commitments and whether or not anything can be done to improve the project's chances of success.

Estimating Project Duration and Costs

The duration of a project can only be estimated once you know what resources are available, for example, if a project is estimated to require 1000 hours of effort and only one person is available to work on it, it may take six months or more. However, if three people are available, it may be possible to complete the project in two months.

Costs are normally split into labour costs and non-labour costs. The labour cost can be determined by examining the number of hours of effort required and the cost per hour. If you are using external labour, eg contractors or consultants, the costs should be estimated and budgeted in advance. This is straightforward if you already know your exact requirements, but if the final

staffing requirements are not yet known you may need to make some assumptions based on the general type of staff required, eg use standard hourly cost for accountants, programmers, office administrators.

Methods of calculating the costs of internal labour vary from company to company. In some cases, the labour costs for internal employees are assumed to be zero, since they are already accounted for in a departmental budget. This does not mean that there is no cost; it simply means that there are no further costs in addition to what the company is already paying. Other companies use an average hourly cost per employee when calculating project budgets. This may be an average cost per hour for all employees or it may vary depending on job function.

Non-labour costs include everything not directly related to salary or contractor costs. Some of these, such as training and team-building costs are employee-related, but they are not regarded as labour costs as they do not relate directly to employee salary or contractor costs. Every project manager should be familiar with the accounting rules in his or her own company to ensure that labour and non-labour costs are allocated correctly. Non-labour costs generally include:

- Hardware and software
- Equipment
- Materials and supplies
- Travelling expenses
- Training
- Team building
- Facilities

If parts of a project are outsourced, this is normally regarded as a non-labour cost since the company is paying for deliverables and is not concerned about the supplier's labour costs.

Project Manager Skills

The project manager is the individual who has the overall responsibility for the successful planning and execution of a project.

Although this course concentrates on IT project management, the title is widely used in other industries which are involved in producing a product or service, including the construction industry, architecture and engineering.

A project manager must possess a combination of skills including planning, organising, communicating and problem-solving.

One of the prime responsibilities of the project manager is risk management and a good project manager will ensure that risks are carefully monitored throughout the duration of the project as they can have a major impact on its eventual success or failure.

Good communication can play a major role in minimising risk by ensuring that all members of the project team are able to express their opinions and concerns.

Most project managers use project management software, such as Microsoft Project or Open Workbench to organise their tasks and resources, as this allows them to produce charts and reports that might otherwise take hours of work.

Issues Affecting Project Teams

In this section we will examine some of the issues affecting project teams, including the following:

- Assessing Internal Skills: Technical skills are obviously important in project teams, but a first-class team also needs to have the right mix of soft skills, personalities and attitudes. Project teams shouldn't be too large, ideally being restricted to four or five members. The attitude and work ethic of team members is at least as important as their skills and experience. Diversity is also important when building a team, so that the team can benefit from different points of view. It can be useful if team members have worked together before, as the team will gel more quickly. One factor which is often underrated is the availability of team members. If your first choice isn't available, you may have to make do with someone else.
- Creating a Team: Many project teams have two types of members:
- Core members will be with the project from beginning to end and normally have a broad range of skills which will be applicable throughout the project.
- Non-core members may also be brought in where specific skills are needed for a short period or to carry out a particular task.

We will look at a number of desirable characteristics which should be taken into account when selecting team members.

- Managing Team Issues: Conflicts will inevitably arise in any team, eg where members have a difference of opinion or where a customer disagrees with actions taken by the

team. Obviously, such conflicts must be resolved. This can be a sensitive area as conflicts are, by their nature, confrontational. We will consider some of the most important skills involved in resolving conflicts.

- Using External Resources: We've already noted that resources can be defined as the personnel, equipment, materials and services required to complete tasks in a project. In many cases it will be possible to obtain all the resources required to complete a project from within the organisation, but in some cases external resources may be required. We will consider some of the implications of this, particularly the factors involved in bringing in external contract staff.

Assessing Internal Skills

Technical skills are obviously important in project teams, but a first-class team also needs to have the right mix of soft skills, personalities and attitudes.

Project teams shouldn't be too large, ideally being restricted to four or five members. Unfortunately, all the departments involved in a project normally want to have a representative on the project team. This can lead to an overly-large team where members have uneven skills, knowledge and levels of commitment. In a small team everyone understands the overall direction and their role in it. A team like this can work several times faster than a large one.

The attitude and work ethic of team members is at least as important as their skills and experience. Team members who have a positive attitude and behaviour, respect the views of others and learn continuously can lift a team's spirit, but one cynic can destroy the entire team.
Diversity is also important when building a team. Many people with an IT background think in a very similar manner and like to make decisions quickly. It can be useful if the team includes someone a bit more introspective to ensure that options and alternatives are fully considered before making a final decision.

It can be useful if team members have worked together before. Everybody has their own communication style and approach. If people have to get used to new and unfamiliar team members it can take more time and energy to build a team.

One factor which is often underrated is the availability of team members. Good people are often committed months in advance. However, this can be overcome by good planning. If you know you're going to want a particular person in three months time, try to get this

requirement added to their schedule now. If the required person is unavailable you may need to look for an alternative or reschedule the project.

Creating a Team

Many project teams have two types of members.

- Core members will be present for the duration of the project and have a broad range of skills which will be applicable throughout.
- Non-core members may also be brought in where specific skills are needed for a short period or to carry out a particular task.

Core members are normally allocated to a project team on a full-time basis, but in some organisations the same individual may be allocated to several project teams on a part time basis, particularly if he or she has valuable skills which are in short supply. The core members of the team should be selected as early as possible so that they can participate fully in the definition and planning of the project. Responsibility for selecting the team normally lies with the project manager, who will liaise with other managers to obtain the required staff. Sometimes it can be difficult for a project manager to obtain the staff that he or she wants. There can be a variety of factors involved, eg:

- The organisation may be running several large projects simultaneously, leading to a high demand for the best staff
- Individuals may feel that they already have sufficient work commitments and be reluctant to undertake more
- High staff turnover may cause shortages of specialist staff.

A project manager will often have to make trade-offs between the people who would be the first choice for the project team and those who are actually available. In an ideal situation, the first-choice team members would be allocated critical tasks, while other team members would be allocated the less critical tasks. This has the advantage of allowing the other team members to develop their skills in a low risk environment and perhaps become the first choice for a future project.

Characteristics of Team Members

Many authors have compiled lists of the important characteristics for project team members. Wysocki and McGary (Effective Project Management, Wiley, 2003) suggest the following:

- Commitment
- Shared responsibility
- Flexibility
- Task-orientedness
- Ability to work within schedule and constraints
- Willingness to give trust and mutual support
- Team-orientedness
- Open-mindedness
- Ability to work across structure and authorities
- Ability to use project management tools

The authors point out that many of these skills can be difficult to ascertain by interview, so it may be necessary to rely on your own experience (or the experience of other project managers) of the performance of individuals in previous projects.

Managing Team Issues

Conflicts will inevitably arise in any team, eg where members have a difference of opinion or where a customer disagrees with actions taken by the team. Obviously, such conflicts must be resolved. This can be a sensitive area as conflicts are, by their nature, confrontational.

The Conflict Resolution Network suggests that there are 12 skills that can be useful in resolving conflicts. Further details can be found on their website.

1. The win/win approach: identify attitude shifts to respect all parties' needs.
2. Creative response: transform problems into creative opportunities.
3. Empathy: develop communication tools to build rapport. Use listening to clarify understanding.
4. Appropriate assertiveness: apply strategies to attack the problem not the person.
5. Co-operative power: eliminate "power over" to build "power with" others.
6. Managing emotions: express fear, anger, hurt and frustration wisely to effect change.
7. Willingness to Resolve: name personal issues that cloud the picture.
8. Mapping the conflict: define the issues needed to chart common needs and concerns.
9. Development of options: design creative solutions together.
10. Negotiation: plan and apply effective strategies to reach agreement.
11. Mediation: help conflicting parties to move towards solutions.

12. Broadening perspectives: evaluate the problem in its broader context.

Using External Resources

We've already noted that resources can be defined as the personnel, equipment, materials and services required to complete tasks in a project. In many cases it will be possible to obtain all the resources required to complete a project from within the organisation, but in some cases external resources may be required.

There may be occasions when it is not possible for an organisation to recruit the required personnel for a project team internally, eg due to shortage of staff or shortage of skills within the organisation. Often the solution is to recruit external staff, normally on a contract basis.

Contract staff are often recruited to fill a skills gap and may only be required for a short period.

Whilst they can provide a useful means of getting round skills shortages they can present particular problems:

- They may only be available at specific times, resulting in a need to schedule project activities around their availability.
- They may lack the commitment of core team members, resulting in a lower quality of work.
- They may need additional briefing to familiarise themselves with the project and need more supervision than core members.

It may also be necessary to obtain additional equipment from outside the organisation, eg renting or leasing additional computers.

Services, such as accounting, secretarial or legal services may also need to be sourced from outside the organisation.

Meetings

The project manager is responsible for calling and chairing team meetings. There are a number of issues to be considered, including frequency, duration, meeting dates, agenda and minutes. It is important that the entire team understands the role of teem meetings and participates in them.

Team meetings may be held for different purposes, including problem definition and resolution, work scheduling, planning, performance monitoring and decision making.

Meeting frequency is an important consideration. Meeting too often can be a waste of time, but not meeting often enough can also cause problems, eg minor problems can grow into major ones before they are discussed and resolved. If meetings are too infrequent, the project manager may lose control of the project.

Meeting frequency may vary with the size of the project and the current stage. Large projects may need more meetings than small ones and more meeting may be required at the beginning or end of a project than in the middle.

Meeting documentation, including agendas and minutes, is another important area. If the project team has an administrative assistant, he or she may be able to collect agenda items and produce and distribute agendas. Failing this, the project leader may have to undertake these tasks.

One useful variation is to have each team member take turns at producing and distributing the agenda. This helps give members a feeling of ownership of the meetings. It can be useful if the project manager produces an agenda template, so that agendas have a similar look and feel, irrespective of who produces them.

Minutes are an important part of the project documentation as they provide evidence of issues discussed, actions taken and the rationale for these. The task of recording and distributing the minutes should rotate between team members. Again, this helps give members a feeling of ownership.

The Project Life Cycle

The project life cycle consists of four phases, initiation, planning, execution (including monitoring and controlling) and evaluation. The MPMM Project Management Methodology is an excellent resource for this part of the Unit. The Initiation phase begins by defining the scope, purpose, objectives, resources, deliverables, timescales and structure of the project. The next step is to develop a Business Case, including several possible solutions and a cost/benefit analysis for each. A Feasibility Study should then be carried out to ensure that the chosen solution is feasible and has an acceptable level of risk. The next step is to define the Terms of Reference, followed by the appointment of the project team. The final step is to carry out Phase Review before seeking approval to proceed. The first step of the Planning phase is the creation of a detailed Project Plan which the project manager will refer throughout the project to monitor and control time, cost and quality. The project manager will then create the following plans:

- Resource Plan: to identify the staffing, equipment and materials needed
- Financial Plan: to quantify the financial expenditure required
- Quality Plan: to set quality targets and specify Quality Control methods
- Risk Plan: to identify risks and plan actions needed to minimise them
- Acceptance Plan: to specify criteria for accepting deliverables

Finally, a Phase Review is carried out to assess the deliverables produced to date and approve the start of the Project Execution phase. During the Project Execution phase the project team produces the deliverables while the project manager monitors and controls the project delivery by undertaking:

- Time Management: tracking and recording time spent on tasks against the Project Plan
- Cost Management: identifying and recording costs against the project budget
- Quality Management: reviewing the quality of the deliverables and management processes
- Change Management: reviewing and implementing requests for changes to the project
- Risk Management: assessing the level of project risk and taking action to minimize it
- Issue Management: identifying and resolving project issues
- Acceptance Management: identifying the completion of deliverables and gaining the customers acceptance
- Communications Management: keeping stakeholders informed of project progress, risks and issues

Once the customer has accepted the deliverables and a Phase Review has been carried out to determine whether the project objectives have been achieved, the project is ready for Closure. A Project Closure Report should list all of the actions required. When this has been approved, the listed actions are completed to release project resources, hand over deliverables, and inform all stakeholders that the project is now closed. Shortly after the project has been closed, anEvaluation (also known as a Post-Implementation Review) should be carried out to determine the project's overall success and find out whether the benefits stated in the original Business Case were actually realised. Any lessons learned should be documented for future projects.

Initiation

The Initiation Phase involves defining the purpose and scope of the project, the justification for undertaking it and the solution to be implemented. It also involves recruiting the project team and carrying out a Phase Review, before proceeding to the next stage.

- A Business Case is developed, describing the business problem to be addressed by the project, the alternative solutions and the potential costs and benefits associated with each. The Business Case is foundation for the project as it fully describes the project, the reasons for creating it and the key benefits to be produced.
- A Feasibility Study is then completed to ascertain the likelihood of the alternative solutions actually delivering the stated benefits in the Business Case. This is used to identify the preferred solution, which must be approved before proceeding.
- The Terms of Reference describe what the project intends to achieve and the boundaries within which it must achieve it. This includes the project vision, objectives, scope, deliverables, project organisation and an Implementation Plan.
- Once the project is defined, it is time to appoint the Project Team. The Project Manager is recruited to take on responsibility for the project and recruit the remaining members of the team.
- Finally, a Phase Review is carried out to ensure that all of the required activities have been completed and to provide formal approval to proceed to the next phase of the project.

Planning

The Planning phase involves the creation of a set of planning documents which will guide the team throughout the project.

The key stages are as follows:

- A comprehensive Project Plan is critical to the success of the project. It identifies the Work Breakdown Structure (WBS) of phases, activities and tasks to be undertaken to complete the project. It also identifies the sequencing, duration and dependencies of tasks and the resources and financial expenditure required to complete the project.
- The Resource Plan should give a detailed assessment of the resources required to undertake the project. It should list the required labour, equipment and materials and quantify the amount of each resource. It should also give a resource usage schedule to

give the Project Manager with a complete view of the total amount of resources needed at each stage.

- The Financial Plan describes the financial resources required during each stage of the project.
- The total cost of each item of labor, equipment and materials is calculated, as well as the total cost of undertaking each activity.
- The Quality Plan lists the quality targets that need to be achieved to ensure that the project deliverables meet customer requirements. Quality Assurance and Quality Control activities are scheduled to make sure that the required level of quality is achieved throughout the project.
- The Risk Plan identifies all foreseeable project risks and rates them in terms of their likelihood of occurrence and potential impact on the project. The risks are prioritised and actions identified to reduce the likelihood of each risk and minimize its impact on the project.
- An Acceptance Plan is created to ensure that customer acceptance is sought for each deliverable produced by the project. The Acceptance Plan provides a schedule of Acceptance Reviews.
- The Communications Plan describes the information to be provided to project stakeholders to keep them informed of the progress of the project. A schedule of communication events and activities is drawn up to make sure that the right information is communicated to the right people at the right time.
- Finally, a Phase Review is carried out to ensure that all of the required Planning activities have been completed and to provide formal approval to proceed to the next phase.

Execution

During the Execution phase the deliverables are physically built and presented to the customer for acceptance. While each deliverable is being constructed, a group of management processes are carried out to monitor and control activities. Once all the deliverables have been produced and accepted by the customer, the project is ready for closure.

The first and most important step is to build the deliverables specified in the Terms of Reference. During this activity, a detailed design of each deliverable is created and the deliverables are physically constructed, tested and reviewed to determine whether they meet the quality criteria

and the acceptance criteria. When all the criteria have been met the deliverables are signed off on by the customer and handed over. At this stage, the project is ready for closure. During the construction of the deliverables the project manager performs several management processes to monitor and control the time, cost and quality of each deliverable as follows:

- Time Management involves monitoring and controlling the time spent by staff on the project. Timesheets are used to track and record time spent, so that the project manager can ascertain the overall progress of the project.
- Cost Management involves identifying project costs and recording the rate of consumption of the project budget.
- Quality Management involves undertaking the Quality Assurance and Control activities specified in the Quality Plan, to manage a project's level of quality and ensure that the project deliverables meet customer requirements.
- Risk Management involves monitoring and controlling project risks by taking the steps necessary to prevent risks and minimise the impact on the project should those risks occur.
- Issue Management involves resolving any unforeseen issues that may arise before they affect the ability of the project to meet its stated objectives.
- Acceptance Management involves carrying out Acceptance Reviews to gain the customer's approval of each deliverable. If the customer does not accept that the deliverables meet their requirements the success of the project will be compromised.
- Communications Management involves completing the activities specified in the Communications Plan to ensure that every stakeholder receives the right information, at the right time.
- Finally, a Phase Review is undertaken to ensure that all of the required activities in the Execution phase have been completed and the project is ready to proceed to the next phase.

Closure and Evaluation

The Project Closure phase involves releasing the final deliverables to the customer, handing over project documentation, terminating supplier contracts, releasing project resources and communicating project closure to all stakeholders. The final step is to undertake an Evaluation to determine the extent to which the project was successful and note any lessons

learned for future projects. The Project Closure Report should list all the activities required to close the project, to ensure that project closure is undertaken smoothly and efficiently. Once the report has been created and approved, the closure activities specified within the report are undertaken and the project is then officially closed. One to three months after the project has been closed and the business has begun to experience the benefits provided by the project, it is important to undertake an Evaluation, often referred to as a Post Implementation Review (PIR). This allows the business to identify the level of success of the project and list any lessons learned for future projects.

Evaluation is often carried out by an independent person to provide an unbiased opinion of the project outcome. The first step is to review the project performance to determine whether the project delivered the benefits, met the objectives, operated within the scope, and produced the deliverables on time, within budget and using the allocated resources. The review also needs to determine whether the project conformed to the management processes specified in Terms of Reference. It should also identify the key project achievements, failures and any lessons learned for future reference. The evaluation should review how the project performed against each of the targets set during the Initiation and Planning phases of the project, ie has the project:

- Delivered the business benefits described in the Business Case?
- Achieved the objectives specified in the Terms of Reference?
- Deviated from the original scope as defined in the Terms of Reference?
- Met the quality targets defined in the Quality Plan?
- Proceeded according to the planned Delivery Schedule?
- Deviated from the budgeted project expenditure as defined in the Financial Plan?
- Deviated from the forecast resource levels as defined in the Resource Plan?

The next stage is to identify the extent to which the project has conformed to the management processes (as set out in the Terms of Reference) during the Execution phase of the project. These are: Time Management, Cost Management, Quality Management, Change Management, Risk Management, Communications Management and Acceptance Management. Finally, the Evaluation should:

- List the major achievements for this project and describe the positive effect that each achievement has had on the customer's business.

- List any project failures and describe the effects they have had on the customer's business.
- Describe the lessons learned from undertaking this project and list any recommendations for similar projects in the future.

Successful project management models can often be used as templates for future projects.

Project Management Software

Project management software can be used to carry out a variety of tasks including scheduling, budgeting, resource allocation, communication and collaboration software, quality management and documentation and administration.

One of the commonest tasks is scheduling a series of events, eg:

- Scheduling events which depend on one another in different ways
- Scheduling staff and resources required to complete the various tasks; this is often referred to as resource scheduling
- Producing estimates of the duration of each task
- Arranging tasks to meet deadlines
- Juggling multiple projects simultaneously

In many schedules there is a critical path, ie a series of events that depend on each other, and whose durations determine the length of the whole project (see also critical chain). Some project management software can assist with the optimisation of this path.

Project planning software can to provide a lot of information for various people. Typical outputs include:

- Tasks lists for staff and allocation schedules for resources
- Information on how long tasks will take to complete
- Early warning of any risks to the project
- Historical information on how projects have progressed and how actual performance and planned performance are related.

Types of Project Management Software

Desktop project management software gives individual users the most responsive and highly-graphical interface. Desktop applications normally store their data in a local file, although some allow collaboration between users or store their data in a central database. A simple file-based project plan can be shared between users if it is stored on a networked drive, and only one user

accesses it at any given time. Web-based project management software can be accessed through an intranet or extranet using a web browser and has all the usual advantages and disadvantages of web applications:

- Can be accessed from any type of computer without installing software
- Ease of access-control
- Provides multi-user facilities
- Only one software version and installation needs to be maintained
- Typically slower to respond than desktop applications
- Limited graphical capability compared to desktop applications
- Project information is not available offline.

Single-user project management systems work on the basis that only one person will need to edit the project plan at any time. This may be used in small organisations, or only a few people are involved in project planning. Desktop applications usually come into this category.

Collaborative project management systems are designed to support multiple users modifying different sections of the plan at once, eg updating the areas they are personally responsible for so that those estimates get integrated into the overall plan. Web-based tools often fall into this category, but they can only be used when the user is online. Some client-server-based software tools replicate project and task information through a central server when users connect to the network.

Integrated systems combine project management or project planning, with many other aspects of company operations, eg bug tracking issues can be assigned to each project, the list of project customers becomes a customer relationship management module, and each person on the project plan has their own task lists, calendars, messaging etc associated with their projects.

Using Project Management Software to Track Progress

Project managers often construct their plans using a software package like Microsoft Project, but then use another package, such as Excel to track progress. However, Microsoft Project makes it fairly easy to track small projects by entering progress information (such as actual rather than projected start dates) manually. Larger projects are better dealt with by collecting information from a range of sources, using Microsoft Office Project Server, but this is outwith the scope of this course. Progress can be tracked at several different levels:

- Task level: this is the least-detailed level at which you can track progress. The task is the smallest unit for which you can update work.
- Assignment level: Assignment-level progress provides more tracking details, but you can only track at this level if you assign resources to tasks. It is a bit like looking at your project under a high-power microscope. At this level, you can see tasks that have one or more resources assigned to them, each associated with work and cost values.

You should track progress as totals if you're only interested in tracking the entire cost or work of a task or an assignment up to the current date, eg you may only need to know that a team member has worked a specific number of hours on an assignment since that assignment began. You should track progress by time period if you need to track more closely to be certain that you stay on schedule or on budget. You can track either task or assignment progress by time period, eg you may want to know that for a particular assignment, a team member carried out 6 hours of work on Monday, 7 hours on Tuesday and 5 hours on Wednesday. Depending on the details you decide to track, you can use one of the following tracking methods:

- Task-total method: Use this method to track total task durations, work, or costs up to the current date or status date. In Project, use the Task Sheetview with the Tracking table displayed. To display the Tracking table, point to Table on the View menu, then click Tracking.
- Task-time phased method: Use this method to track task work or costs per time period. In Project, use the Task Usage view with the Actual Workdetails attached. To display actual work details, right-click the timephased portion of the Task Usage view, then click Actual Work.
- Assignment-total method: Use this method to track the total work or costs per resource assignment up to the current date. In Project, use the Task Usage view with the Tracking table displayed.
- Assignment-timephased method: Use this method to track each resource assignment's work or costs per time period. In Project, use the Task Usageview with the Actual Work details attached.

Project Manager

A project manager is a professional in the field of project management. Project managers can have the responsibility of the planning, execution and closing of any project,

typically relating to construction industry, architecture, aerospace and defense, computer networking, telecommunications or software development.

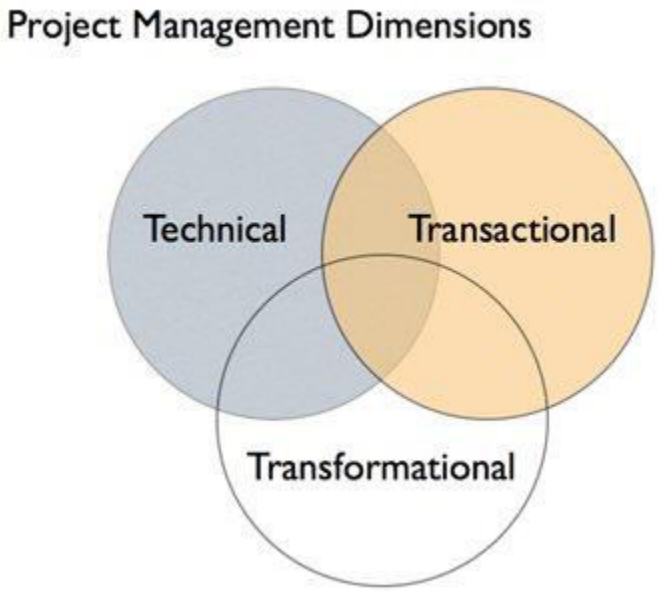
Role and Responsibilities of project manager

The project management role is arguably the most challenging of roles within the project team. As the project progresses through its various life cycle stages, project manager's must be able to adapt themselves to the changing demands of the project and the team. Much can be found on management theory and practice, when applied to projects; consequently everyone will has their own opinion, and will be right in their own contexts. That doesn't help you find you formulate a practical view based on experience.

We have distilled our experiences, beliefs, thoughts and opinions to what we believe the project management role is and the part the project manager plays in this. First and foremost, project management is a TEAM SPORT, and in today's modern society it relies on the principal players of the team taking responsibility and accountability for those aspects of the project they have been charged with. Indeed, this ethos should be passed down to all team members irrespective of their level of involvement in the project. All Teams need a LEADER, our view is that this is THE principal role of the one commonly referred to as the 'Project Manager'. We shall however, continue to refer to the principal project management role as the Project Manager.

Many organisations and project sponsors set their projects up to fail because they do not fully recognise how important the project management role is, to successfully manage a project through its life cycle. It is still common that project managers are appointed on a part-time basis, the assumption being they can manage the project on a part-time basis as a stretch to their other day to day duties and responsibilities.

To successfully manage the project management process, requires full-time commitment. Though in practice 'time' may be shared with other duties and responsibilities, when it comes to the crunch, the project must get the first call when a conflict of interest arises. This leads nicely to the statement "The Mission is the No.1 Priority, no-one is bigger than the Mission!", including the Project Manager! Provided the project sponsors are serious about their commitment to the project. The project deserves the respect of having all the stops pulled out for it, including a full-time project manager. The Project Management Role. We think of the project management role consisting of 3 dimensions:



TECHNICAL

The Technical dimension, covers the more 'hands-on' role of the Project Manager. The Project Manager must be able to, and be prepared to get their sleeves rolled up and get stuck into technical issues at a detailed level. Generally, this is more so during the earlier project definitionstages of the project life cycle. The project Team is usually at its leanest, and all members have to get involved in progressing the detail of technical issues, or the project will stall.

"The Devil is in the Detail" most have heard that expression and it's 100% true when it comes to projects. Take your eye off an understanding of the detail at your peril! That is to say the project manager absolutely does NOT need to know how to do everyone's tasks within the project, but needs to appreciate all the processes being carried out and be able to confidently challenge others at a level of informed understanding.

The Technical aspects of the project management role would include those activities needed to develop and complete the project definition, and then to implement the project in accordance with its implementation plan, controlling the project assuring the required quality of delivery. Being a team sport, the project management role is not necessarily the same thing as the Project Manager's role.

For the Project Manager, depending on the size of the project, the role could include managing a team of project managers to deliver these technical aspects, or more commonly, initially carrying out a significant portion of the technical project management aspects.

TRANSACTIONAL

The Transaction Dimension, refers to the traditional project management activities associated with managing the project's work flows and performance. Such activities would initially include establishing the project baseline metrics and parameters required to control the projectduring the implementation stage.

During the project implementation stage Transactional activities would include all those project management control and reporting activities carried out regularly, needed to demonstrate control of the project. Here the Project Manager is performing foremost as a 'Manager'.

TRANSFORMATIONAL

The Transformation Dimension refers to activities associated with leadership. Here the Project Manager is acting as the Project Leader. Softer people, relationship and communication skills need to be put to work, seeking to get the best performance from the Project Team. This is where we believe Project Managers should be at their most effective. The project is delivered by the Team, and therefore regular ongoing Team maintenance, development and motivation are essential activities if the project is to be successful.

This is where the Best Project Managers spend the majority of their time; they realise that the performance return from their effort invested in the Team and individuals vastly increases the chances of success. Project Managers who grasp a project with passion, and who create a sustainable buzz about the project create an environment where people feel they must be part of the Project Team, and who end up talking about being part of the project many years after its completion.

JUGGLING THE THREE DIMENSIONS

Suffice to say, the Project Manager has to adopt all three of the project management dimensions, every day. Depending on the phase of the project life cycle, more time may be spent acting out specific dimensions:

During the Feasibility Study, the Project Manager spends proportionately more time in the Technical and Transformational dimensions. 'Technical', when developing and challenging the scope of the project and evaluating options. Transformational when communicating the objectives and benefits expected of the project as well as the vision of what success will look like.

During the Implementation stage, the Project Manager is increasingly concerned with successfully delivering the project as defined, and operates more proportionately in the Transactional dimension, ensuring project performance is maintained at the levels required to achieve success.

Transformational management skills will be employed as the team gets larger, to keep communicating the vision, to motivate, encourage and guide team members to perform whilst outside of their comfort zones.

During the Close Out stage time gets more proportionately spent back in the Technical dimension, as well as the Transactional dimension. Technical details need closing out in order to complete the project, the 'Devil is in the Detail' again. Transactional control is needed to ensure the last project activities are being completed properly and to schedule and cost.

SUPERHERO

It's easy to suggest that the BEST Project Managers need to be Superheroes. Surely, only Superheroes can juggle all those project management dimensions properly Well, we prefer the Project Manager to be thought of as the Project Leader first and foremost, because the role is much broader than a 'management' role. 'Management' tends to suggest following a set process or procedure well, and ensuring activities are delivered to the expected requirements.

Leadership suggests being able to select or create the best process and to identify the value adding activities, energising others to follow the process and to take responsibility for delivering the activities as required, whatever the challenges faced.

Arguably the best leaders are Visionary Leaders who give all credit to the Team's performance during times of success and look inwards at themselves when things do not go quite as expected, looking for ways to improve for the future. Visionary Leaders get a great sense of achievement and self satisfaction in enabling the Team to succeed. Visionary Leaders create an energised environment where people queue up to be part of the Team.

POSSIBLE QUESTIONS

PART – B

1. Discuss the steps involved in the processing and selection of business idea.
2. Briefly narrate the cnnstraints for project identification.
3. Define the term Project and explain its essential features.
4. Briefly explain the characteristics of project management.
5. Briefly explain the directorates of Industries of the State Government.
6. Explain the various steps involved in approaching an institution for project financial assistance.
7. Explain the techniques involved in project identification.
8. Discuss briefly the steps involved in the project selection.
9. Explain the purpose of conducting a Techno – Economic study before launching a project.
10. Determine the internal and external constgraints of project identification.

***CIA – 3 X 10 = 30 Marks (EITHER OR TYPE)**

****ESE – 5 X 8 = 40 Marks (EITHER OR TYPE)**

UNIT V

Project Formulation – Steps - Project Identification – Importance – Project Evaluation – Project Feasibility Analysis - Project Report.

PROJECT FORMULATION

The very foundation of an enterprise is the project. The success or failure of an enterprise depends on the project. Hence, the project is of crucial importance to the entrepreneur. The dictionary meaning of project is an idea or plan that is intended to be carried out in the future or that is being carried at present. A project is a cluster of activities that is relatively separate and clear-cut, e.g., building a factory, hospital etc. A project typically has a distinct mission that is designed to achieve and clear termination point, the achievement of the mission. In common parlance, the term project is used to refer to projects such as industrial projects, agricultural projects, illiteracy eradication project etc. An entrepreneur has to implement as idea or plan and see that he achieves it – that is, he completes the project successfully.

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 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 put 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 :

(a) 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.

(b) 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.

(c) 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 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 IDENTIFICATION

Project identification is a difficult task faced by an entrepreneur. He comes across several investment opportunities. In the first instance, he has to select a few projects which have been subjected to preliminary evaluation. Project identification is concerned with the collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment and with the development of the characteristics of such opportunities.

According to Peter F. Drucker, opportunities are of three kinds : additive, complementary and breakthrough. *Additive opportunity* is concerned with utilizing the existing resources without making any change. *Complementary opportunity* results in introduction of new ideas and involves change. *Breakthrough* involves drastic and fundamental changes in the existing business. Risk is least in additive opportunities, greater in complementary and greatest in breakthrough opportunities. Bearing in mind these factors and expecting a fair return on investments, the entrepreneur has to choose a project. A few guidelines which help him choose the right line of project are given below.

Choosing the Right Line of Activity

The primary decision to be made by a prospective entrepreneur is choosing the right line of activity. The very success of his venture will depend on the rationality of his decision in the regard.

A business opportunity is born as an impulse during the course of interaction of the entrepreneur with the environment. He proceeds if a competitive advantage is sensed in the following three areas :

1. Procurement of scarce resources.
2. Access to technical know-how.
3. Market.

Nowadays more importance should be given to the third factor, i.e., market.

Then a business potential examination involving a cursory examination of the market, production and financial. parameters is done through further reading/discussions to see whether the competitive advantage sensed earlier could be exploited to set-up an industry of the magnitude envisaged. A satisfactory response invokes further probing in the form of market urvey, feasibility study, etc. If the scheme looks attractive and the degree of calculated risk provides the entrepreneur with an adequate level of confidence, he embarks on further development like a detailed project report, raising funds, obtaining detailed know how, etc.

Primarily the choice of a product is the identification of a market niche and comprises an analysis all analysis based on answers to questions such as
:

(i) Is there an unfulfilled need for this product?

(ii) What are the unique features that distinguish this product or service from those offered by other firms?

(iii) Who is the potential customer?

(iv) How and at what cost is the customer to be informed of the product or service? What is the estimated size of the market? (v)

How should product or service be distributed?

(vi) What prices can be charged which will be competitive yet yield a reasonable profit?

(vii) What are the personal strengths and weaknesses which meet/detract from meeting the above identified-needs of the market?

Before taking a decision on the line of activity it is imperative for the promoter to have an interaction with the environment over as wide an areas as possible, so that the ambit, within which he makes the decision, is large enough to enclose most of the opportunities around.

Some important areas from which product ideas may emerge are the following :

(i) Survey of raw materials - agricultural, minerals, forest, animal husbandry, etc.

(ii) Survey of local skills based on which suitable industries can be identified.

(iii) Study of import statistics may reveal some commodities which can be indigenously manufactured.

(iv) Study of export statistics will indicate trends in exports and the possibility of increasing exports for certain products. It may indicate certain products which can be further processed in the country.

(v) Study of world trade may indicate certain goods in which the country enjoys price advantage and can be manufactured for exporting.

(vi) Study of the stores requirement for major industries and organisations will reveal the requirement of various items.

(vii) Study of development plans will reveal future requirement for certain products or services.

(viii) Study of Government policies regarding industrialisation, exports, imports, development of backward areas, etc.

(ix) Study of new process/products developed by organisations like National Research Development Corporation, Directorate General of Technology. Development, Council of Scientific and Industrial Research, Indian Space Research Organisation, Bhabha Atomic Research Centre, etc.

(x) Study of prospects for ancillarisation.

(xi) Study of potential for tourism – hotels, motels, house boats, etc.

(xii) Project ideas also develop while seeking solutions to our day-to-day problems.

But in reality, the case is quite different. A major constraint faced especially in developing countries is the resources constraint. Hence it becomes imperative that certain project ideas are only taken up or pursued in preference to others. How to make this decision or choose only a few projects for implementation? Project

formulation techniques help us in making a choice. When we say project formulation, we mean that a project idea is presented in such a form that it can be subjected to comparative appraisal. This process will aid in definitely determining the priority of projects from the point of view of resource allocation. The project ideas can be analysed from the point of view of inputs as well as outputs. Such an analysis when presented to decision maker or to consulting agencies will help them in decision-making. These strategy analysis project ideas not only from the view point of technical feasibility and financial viability but also evaluates the sum total effect which the project will have on the society and the immediate environment.

PROJECT FORMULATION

Project formulation is defined as taking a first look carefully and critically at a project idea by an entrepreneur to build up an all-round beneficial to project after carefully weighing its various components. It is formulated by the entrepreneur with the assistance of specialists or consultants. Project formulation is, therefore, a process whereby the entrepreneur makes an objective and independent assessment of the various aspects of an investment proposition of a project idea for determining its total impact and also its liability. By all means, this strategy forms an important stage in the pre-investment phase – that is the period from the conception of an idea until the final analysis to decide about the future of a project idea. This makes it an analytical management aid. The aim of project formulation is to achieve the project objectives with the minimum expenditure and adequate resources. In other words, it is to derive maximum benefits from minimum expenses in a short span of time.

Formulation of project report business plan is one of the corner stones to be laid down in setting up an enterprise. This section is devoted to make you understand what is and how to make a right project report.

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

1. **General Information :** Information on product profile and product details.
2. **Promoter :** His/her educational qualification, work experience, project related experience.
3. **Location :** Exact location of the project, lease or freehold, vocational advantages.
4. **Land and Building :** Land area, construction area, type of construction, cost of construction, detailed plan and estimate along with plant layout.
5. **Plant and Machinery :** Details of machine required, capacity, suppliers, cost, various alternatives available, cost of miscellaneous assets.
6. **Production Process :** Description of production process, process chart, technical knowhow, technology alternatives available, production programme.
7. **Utilities :** Water, power, steam, compressed air requirements, cost estimates, sources of utilities.
8. **Transport and Communication :** Mode, possibility of getting, costs.
9. **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.
10. **Manpower :** Manpower requirement by skilled and semi-skilled sources of manpower supply, cost of procurement, requirement for training and its cost.

11. **Products :** Product mix, estimated sales distribution channels, competitors and their capacities, product standard, input-output ratio, product substitute.

12. **Market :** End-users of product, distribution of market as local, national, international, trade practices, sales promotion devices, proposed market research.

13. **Requirement of Working Capital :** Estimation of working capital required, sources of working capital, need for collateral security, nature and extent of credit facilities offered and available.

14. **Requirement of Funds :** Break-up of project cost in terms of costs of land, building, machinery, miscellaneous assets, preliminary expenses, contingencies and margin money for working capital, arrangements for meeting the cost of setting up of the project.

15. Cost of Production and Profitability of first ten years.

16. Break-Even Analysis.

17. Schedule of Implementation.

Formulation of a Project Report

A project is a report which provides all the necessary information of the unit proposed to be set-up. It is required by various developmental agencies that help, setting-up of the unit and particularly by financial institutions and banks to provide financial assistance. The report should be prepared in such a way that it is able to provide complete information that may be required by financial institutions for appraising the project. A well prepared project report will not only save the time energy of the banker but also help the entrepreneur, who will not face many objection and queries from the banker.

A general set of information given in any project report is listed by Vinod Gupta in his study on "Formulation of a Project Report", which is reproduced, below, the following are broad heads under which complete information on relevant aspects should be included in the project report:

1. General Information.

2. Project Description.

3. Market Potential.

4. Capital Costs and Sources of Finance.

5. Assessment of Working Capital Requirements.

6. Other Financial Aspects.

7. Economic and Social Variables.

1. General Information : To begin with, some information of general nature should be provided. The following ate some such aspects :

(a) Bio-Data of Promoters

– Name and address of the entrepreneur.

– The qualifications, experience and other capabilities of the entrepreneur. If there are partners, state the characteristics of all the partners individually.

(b) Industry Profile : A little reference of analysis of industry to, which the project belongs, e.g., past performance, present status, the way it is organised, the problems it faces, etc.

(c) Constitution and Organisation

– The constitution and the organisational structure of the enterprise. In case of a partnership firm, whether it is registered with the Registrar of Firms.

– Whether a Registration Certificate from the Directorate of Industries/ District Industries Centre has been obtained or will be applied later on.

(d) Product Details : The utility of the product and the range of products to be manufactured. One could even provide the product designs/drawings alongwith and made a mention of the advantages the proposed product offers over its substitutes.

2. Project Description : A brief description of the project covering the following aspects should be given in the project report.

(a) Site : Location (town, street, number etc.) whether owned or leasehold land; whether the site is in approved industrial area? Is it suitable to the type of enterprise being planned? The open/covered area availability needed

should be mentioned. If the location is in a residential area then the copy of No Objection Certificate from the Municipal authorities should be attached.

(b) Physical Infrastructure : Availability of physical infrastructure consisting of the following items :

(i) Raw Material : Whether imported raw material is also required? If so whether the licence has been obtained. Which are the sources of raw material and what is the probability of getting it on a continuous basis at fair prices?

(ii) Skilled Labour : Whether skilled labour is available in that area? If not, what arrangements have been made to train the labour in various skills?

(c) Utilities

(i) Power : Inadequate supply of electricity or its high unit cost in an area may become a major constraint in running a project. The project report should contain the information regarding the power requirements, the load sanctioned, stability of supply of power and the price at different consumption levels.

(ii) Fuel : Whether other fuel items like coal, coke, oil or gas, are required and if yes, then state their avail ability position.

(iii) Water : Water is an important factor for projects like brewery, tannery, ice plant, soft drinks and chemicals. The source and the quality of water in such cases should be clearly stated.

(d) Pollution Control : Most industrial plants produce waste material or emissions that may create significant problems. The emission may be of various types like (i) gaseous (smoke, fumes, etc.) (ii) physical (noise, heat, vibration, etc.) or (iii) liquid or solid discharge through pumps and sewers. State clearly the aspects like scope of dumps, sewage system and sewage treatment plant.

(e) Communication System : Availability of communication facilities, e.g., telephone, telex etc. should be stated in. the report.

(f) Transport Facilities : The distances over which the basic material inputs will have to be transported and the available as well as potential means of transportation should be stated together with expected bottlenecks, if any.

(g) **Other Common Facilities :** Availability of facilities like machine shops, welding shops and electrical repair shops, etc.

(b) **Manufacturing Process :** The details of production and the process involved should be clearly stated. Also state the period of conversion from raw material into finished goods. A process flow chart should be presented.

(i) **List of machinery and Equipment :** A complete list of items of machinery and other equipment indicating their type, size and cost should be furnished. Sources of supply of capital equipment and the construction services should also be given. Check machinery/equipment for each of the above stated processes is ensured. If not, explain how such processes will be get done.

(j) **Capacity of the Plant :** The installed licensed capacity should be stated. Also state whether the unit will run on single, double or triple shift basis.

(k) **Technology Selected :** Is it up-to-date and appropriate? Which other units are using the same technology and with what results? How is required know how proposed to be arranged?

(l) **Balancing of Plant :** While stating the stages of production, also state whether the capacity of various plants at different stages of production is sufficient. Balancing equipment required at a later stage and the consequent increase in capacity should be assessed.

(m) **Quality Control/Testing and Inspection :** Whether some system has been designed to check the quality of products on a continuous basis? Obtaining quality marks like ISI, Agmark help in creating confidence among consumers if there is a probability of getting them for the products, the fact should be included in the project report.

(n) **Research and Development :** Besides the quality control, wether any cell to study improvement of quality is proposed to be formed in the enterprise?

3. **Market Potential :** The following aspects relating to market potential should normally be covered in the project report:

(a) **Demand and Supply Position :** State the data regarding total expected demand of the product and present supply position. How-much of this gap will be filled up by the proposed unit?

(b) **Price Expected to be Realised :** An estimate of the price expected should be furnished to assess the margin of profit. A comparative

statement of competitor's selling price would be helpful.

(c) **Marketing Strategy :** What strategy for selling the products is proposed to be followed? Whether any arrangements have been made with reputed suppliers and distributors for lifting the production? Sometimes, particularly in electrical goods, owners of reputed brands may enter into contract to lift the entire production and sell it later after putting their trade mark on it.

(d) **After-Sales Service :** In some items it is very vital. Even due to a loose screw or snapping of a wire, the customer may find the instrument either not working or working improperly and without after-sales service. Due to this, the product gets a bad name. Normally it has been found that money spent on after -sales service by a manufacturer is repaid many times over the long run.

(e) **Seasonality Factor :** Whether the product has seasonal fluctuations in sales? If so, the arrangements made for warehousing or stocking of the goods in off-season should be stated.

(f) **Transportation :** Whether the unit will depend for the transportation of goods on public carrier or will it like to own its own transport? If own transport is needed, state the probable cost and the amount of assistance required.

4. **Capital Costs and Sources of Finance :** An estimate of the various components of capital items required by the unit should be given in the report These components may be the following:

- Land and building
- Plant and machinery
- installation costs
- Other miscellaneous assets like furniture/fixtures, vehicles, tools, dies, jigs, fixtures, patterns, types etc.
- Preliminary and preoperative expenses.
- Contingency cushion against price rise/unforseen expenses:
- Margin for working capital.

Besides the cost factors, the report should includes probable sources

of finance. These sources of funds should equal the cost of a project as otherwise the project cannot be set-up in full. The resources would include the owner's funds together with loans and deposits raised as well as the limits expected from financial institutions/banks.

The estimation of funds for the cost factors involved should be realistic and correct. Many units run into serious financial problems because of inadequate estimate of funds requirement.

5. Assessment of Working Capital, Requirements : Planning for working capital requirements is equally crucial for an entrepreneur. While estimating the capital costs, margin for working capital has taken into account. Any unit will be able to function only when adequate working capital requirements have been made and shown along with the total cost of the project.

Sometime back formats for working capital assessment has been designed for limits up to Rs. 50,000, for limits between Rs. 50,000 and Rs. 2 lakhs and above Rs. 2 lakhs. As such if the entrepreneurs present their estimates in those prescribed formats, it will save time and energy for-them as well as for the baker. It has been generally noticed that the entrepreneurs present the working capital requirements in their own way which is ultimately recasted by the banker. This wastes time and creates problems. Hence, if they project their requirements in the prescribed way, it will minimise objections from the banker's side.

6. Other Financial Aspects : One of the objectives of setting-up a project is to earn a livelihood. Besides the project set-up must be able to retrieve the investments made within its life cycle. This would be possible only if the products taken up for production are adequately profitable. This would require preparation of a projected Profit & Loss Account which would indicate likely sales revenue, cost of production, allied cost and profit. These estimates especially the likely sales revenue, should be made on a realistic basis. A projected Balance Sheet and Cash Flow Statement would be have to prepared to indicate financial position and requirements at various stages of the project. After all the smooth functioning of the unit necessitates availability of adequate funds for various commitments.

Next the Break-Even Analysis must be presented. Break-even point is the level of production/sales where the industrial enterprise shall make no profit no loses it will just break-even. This facilitates knowing the gestation period and the likely moratorium required for repayment of loans.

Break-even point (BEP)

Where, F = Fixed Costs

S = Sales Projected

V = Variable Costs

The break-even point thus calculated will show at what percentage of projected sales the unit will break-even.

It is also a good idea of calculate and indicate the following ratios

1. Profitability Ratio = $\frac{\text{Net Profits}}{\text{Sales}} \times 100$

2. Return on Investment = $\frac{\text{Net Profits}}{\text{Capital Employed}} \times 100$

3. Debt Equity Ratio = $\frac{\text{Debt}}{\text{Equity}}$

4. Debt Service Coverage ratio = $\frac{\text{Net Profit after tax + Depreciation + Interest for one year}}{\text{Instalments + interest (for one year)}}$

7. Economic and Social Variables : What will be the abatment costs i.e., costs for controlling the environmental damage (e.g., pollution)? The abatment cost will constitute the value of the additional engineering and technology needed for treating the effluents -and emissions.

Whether the project will have some socioeconomic benefits, of which the following are a few examples:

(a) Employment Generating : The number of persons proposed to be employed vis-a-vis employment situation of that area may be mentioned.

(b) Import Substitution : The manner in which it is planned to be achieved and the amount of benefit expected may be mentioned.

(c) Ancillarisation : Whether the unit will need sub-contracting functions of such type that ancillary industrial units may be promoted to meet them?

(d) **Exports :** Quite likely the products proposed for manufacture may be exported in full or in part.

(e) **Local Resource Utilisation:** Certain local resources which are presently a waste may be usefully utilised upon the project going on stream.

(f) **Development of the Area :** How the establishment of the unit will bring on overall development in the area of its operation ?

8. **Project Implementation Schedule :** Preferably a PERT/CPM chart can be appended to the project report. If this is not feasible then in a tabular form, likely dates of completion of the following activities can be mentioned.

- Acquisition of land	Installation of plant/machinery
- Registration of the unit	Recruitment of workers
- Bank loans	Training of workers
- Construction of building	Ordering raw materials
- Power connection	Procurement of raw materials
- Ordering plant/machinery	Trial run
- Supply of plant/machinery	Commercial production

(h) **Plant Layout :**

If possible, a copy of the plant layout can also be furnished in the project report. This will assist determining sufficiency of area for present and future expansion programmers.

SPECIMEN OF A PROJECT REPORT

Look at the following illustrative project report of a manufacturing unit, it will help you understand how to prepare a project report.

A..	PRODUCT DESCRIPTION
B.	PRODUCTION AND GENERAL EVALUATION OF PROSPECTS;
C.	MARKET ASPECTS 1. Users: 2. Sales Channels & Methods 3. Geographical Extent to Market. 4. Competitive Situation: (a) Domestic Market (b) Export Market 5. Market needed for plant described

D. PRODUCTION REQUIREMENT:

1. Annual Capacity (One/Two/Three-Shift Operation)
2. Capital Requirements

   Land & Buildings on rent (Mention value, if owned)

   Equipment, furniture and fittings

   Working capital
3. Total capital which the entrepreneur would needed for the whole project provided he uses agencies planned by the Government for financial accommodation.

   (i) Own

   (ii) Own Borrowings
4. Expected net profit per annum

E. CAPITAL REQUIREMENTS

1. Fixed assets & working capital

(a) Land (.....sq. meters) and Rs.
Building (.....sq. meters), on rent at
Rs. ..... per annum

(b) Equipments:

(i) Production Equipment (List down in an appendix, giving values, etc., of each machine separately)

(ii) Other Tools & Equipment

(iii) Furniture and Fittings

(c) Working Capital

[This would be calculated keeping in view the periods in which capital on an average in various forms, i.e. manufactured goods, semi-manufactured goods, raw material etc., would remain locked up. Often you may calculate it at 3 months requirement level; unless the situation (line of industry) warrants otherwise.]

Total

II. Raw Material & Allied Supplies (Annual)

1. Description
2. Qty.
3. Rate
4. Annual Requirements
5. Power, Fuel & water
6. Maintenance & Allied Supplies
7. Other Supplies

III. Manpower (Annual) Total

Description	No.	Rate (Rs.) per month	Actual Cost (Rs.)
Manager Foreman			
Supervisors			
Skilled Workers			
Semi-Skilled Workers			
Unskilled Workers			
Office Staff			
Others			

IV. Other Costs (Annual)

Total

(a) Depreciation on equipment, furniture & fittings.....annum

(b) Interest on capital (fixed and working.....per annum on average) (c) Administrative Costs

(d) Sales cost (including sales commission, advertisement, etc.)

(e) Provision for discount, bad debts and miscellaneous contingencies

(f) Training costs.

F. TOTAL ANNUAL COSTS, SALES REVENUE AND NET PROFITS (a) Annual Costs

(i) Rent for Land & Buildings

(ii) Raw Materials & Allied Supplies

(iii) Manpower

(iv) Other Costs

(b) Annual Sales Revenue

(c) Expected Annual Net Profit (b-a) (d) % Profit on Own Capital

(e) % Profit on Total Annual Sales Turnover

(f) % on Total Investment

PLANNING COMMISSION'S GUIDELINES FOR FORMULATING A PROJECT REPORT

In order to process investment proposals and arrive at investment decisions, the Planning Commission of India has also issued some guidelines for preparing/formulating realistic industrial projects. So far as feasibility report is concerned, it lies in between the project formulating stage and the appraisal and sanction stage. The project formulation stage involves the identification of investment options by the enterprise and in consultation with the Administrative Ministry, the Planning Commission and other concerned authorities.

Realising the usefulness of these guidelines, these guidelines are presented in a summarised manner as following:

I. General Information : The feasibility report should include an analysis of the industry to which the project belongs. It should deal with the past performance of the industry. The description of the type of industry should be given, i.e., the priority of the industry, increase in production, role of the public sector, allocation of investment of funds, choice of technique, etc. This should also contain information about the enterprise submitting the feasibility report.

2. Preliminary Analysis of Alternatives : This should contain present data on the gap between demand and supply for the outputs which are to be produced, data on the capacity that would be available from the projects that are in production or under implementation at the time the report is prepared, a complete list of all existing plants in the industry, giving their capacity and level of production actually attained, a list of all projects for which letters of intents/licenses have been issued arid a list of proposed projects. All options that are technically feasible should be considered at this preliminary stage. The location of the project as well as its implications should also be looked into. An account of the foreign exchange requirement should also be taken. The profitability of different options should also be given. The rate of return on investment should be calculated and presented in the report. Alternative cost calculations vis-a-vis return should be presented.

3. Project Description :

The feasibility should provide a brief description of the technology/process chosen for the project. Information relevant to determining optimality of the locations chosen should also be included. To assist in the assessment of the locations chosen should

be included. To assist in the assessment of the environmental effects of project, every feasibility report must present the information on specific points, i.e., population, water, air, land, flora and fauna, effects arising out of project's pollution, other environmental discretions etc. The report should contain a list of the operational requirements of the plant, requirements of water and power, requirements of personnel, organizational structure envisaged, transportation costs, activity- wise phasing of construction and factors affecting it.

Market Plan it should contain the following items

(a) Data on the marketing plan.

(b) Demand and prospective supply in each of the areas to be served.

The method and data used for main estimates of domestic supply and selection of the market areas should be resented. Estimates of the degree of price sensitivity should be presented. It should contain an analysis of past trends in prices.

5. Capital Requirements and Costs : The estimates should be reasonably complete and properly estimated. Information on all items of costs should be carefully collected and presented.

6. Operating Requirements and Costs : Operating costs are essentially those costs which are incurred after the commencement of commercial production. Information about all items of operating cost should be collected; operating costs relate to the cost of raw materials and intermediates, fuel, utilities, labour, repair and maintenance, selling expenses and other expenses.

7. Financial Analysis : The purpose of this analysis is to present some measures to assess the financial viability of the project. A proforma Balance Sheet' for the project data should be presented. Depreciation should be allowed for on the basis of specified by the Bureau of Public Enterprises. Foreign exchange requirements should be cleared by the Department of Economic Affairs. The feasibility report should take into account income tax rebates for priority industries, incentives for backward areas, accelerated depreciation, etc. The sensitivity anlaysis should also be presented. The report must analysis the sensitivity of the rate of return of change in the the level and pattern of product prices.

8. Economic Analysis : Social profitability analysis needs some adjustment in the data relating to the costs and returns to the enterprise. One important type of investment involves a correction in input and costs, to reflect the true value of foreign exchange, labour and capital. The enterprise should

try to assess the impact of its operations on foreign trade. Indirect costs and benefits should also be included in the report. If they cannot be quantified, they should be analysed and their importance emphasized.

9. Miscellaneous Aspects : The preceding three areas are deemed appropriate to almost every new small enterprise. Notwithstanding, depending upon the size of the operation and peculiarities of a particular project, other items may be consider important to be applied out in the project report. To mention, probable use of minicomputers or other electronic data processing services, cash flow statements, method of accounting etc., may be of great use
in some small enterprises.

PROJECT APPRAISAL

Project appraisal means the assessment of a project. It is critical and analytical evaluation of the project from different angles. While appraising a project, technical, commercial, economic, ecological, social and managerial aspects are taken into consideration. Project appraisal is usually done by a financial, institution which besides making an anlaysis of costs and benefits of a proposed project assesses the project from the various aspects of an investment proposition before extending finance. Project appraisal is, therefore, a process whereby a leading financial institution makes an independent and objective assessment of the various aspects of an investment proposition for arriving at a financial decision and is aimed at determining the viability of a project and sometimes, also in modifying its scone and content so as to improve its viability.

A project involves employment of scarce resources. Hence, the entrepreneur has to appraise various projects before allocating the scarce resources for a project. First a project has to be appraised from economic aspects. The economic aspects of appraisal include production of goods or services, generation of additional revenue, employment of labour, better rewards for the owners of capital, etc. A good organisation is required for the implementation of the project. An entrepreneur usually has three types of organisation to fall upon: sole trade proprietorship, partnership and joint stock companies. The type of organisation suitable for the project has to be setup. The financial institutions have to take special care with regard to the managerial aspects of the project. The management should be competent and efficient, otherwise a good project may fail. Technical appraisal includes the location and site of the project the technology used, technical collaboration if any, capacity utilization, plant layout, project design etc. The

financial appraisal should ensure that the projects has a sound financial base. Analysis of cost, pricing, availability band utilization of funds, income and expenditure and fair return on investments are the areas to be covered under financial appraisal. Commercial/marketing aspects of appraisal are concerned with potential demand for the product/service, quality of product/service, price, design, marketing channels etc. Ecological and social aspects of a project have assumed much importance today. The project should be eco- friendly and should aim at society's well-being.

In short, a financial institution requires a detailed evaluation of the feasibility from the point of view of

1. Managerial Competence.
2. Technical Feasibility
3. Market Analysis.
4. Economic Viability
5. Financial Viability.

1. Managerial Competence Successful entrepreneurs are found to be possessing managerial and entrepreneurial traits. Funding agencies would therefore, like to find out whether the individual interested in setting up the venture possesses needed managerial traits.

A project report should contain information such as family background, educational qualifications, past experience of service, business or industry, interest in other firms and innovative ideas of promoters so as to enable financial institutions to assess managerial capabilities of the individual. It is not necessary that entrepreneur should possess all managerial traits and perform all the functions himself. He should either be in a position to perform all such functions himself or should be competent and resourceful enough to hire and use the required managerial resources. Project report, should therefore, mention about the managerial structure of the enterprise.

It is very difficult indeed to evaluate managerial and entrepreneurial capabilities of an individual. Even if the promoter himself wants to evaluate his capabilities the evaluation may not be very correct. It is likely to happen because of the fact that the sense of self-esteem is prevalent in every individual and it inhibits

proper self-assessment.

2. Technical Feasibility : The technical feasibility of the proposal/project contains the resource and technically analysis of the feasibility study. It deals, with the production cost of the item. If the production cost of the item is low, the item can be sold at a competitive price in relation to a similar quality product. For example, hand operated fan at cheaper cost will be economically feasible but technically unsound. The use of solar energy may be technically viable but it is not economically feasible yet because the experiment on this line has not been finalised.

Technical appraisal deals with the following components: (a)

Location of the unit.

(b) Size of the plant.

(c) Process of Manufacture.

(d) Factory layout

(e) Personnel.

(f) Availability and cost of raw material. (g)

Power and water, facilities.

(h) Technological viability in the application of the finished product.

3. Market Analysis : The success of project depends on how it is able to sell the product/service in the market. This is because marketing is the only activity which produces revenue while all other activities incur expenditure. Therefore, the product/service should be marketable. The supply and demand for the product/service have to be estimated and see whether there is any market opportunity. A detailed market analysis should be conducted covering market opportunity and strategy for converting the opportunity into a reality.

It is, therefore, suggested that the report should contain the following information:

- The size and composition of the present demand.
- Market segment (s) identified for the proposed venture (The market segmentation may be done on the basis of income, age and sex of

consumers, geography of the area, etc.)

- Short and long- term demand projection of the overall market and of the segment(s) identified for the proposed project.
- The market penetration that the proposed unit is expected to achieve over the, projected period. This may be planned in view of the increasing national and international competition and changing need of the consumers.
- Broad pricing structure on the basis of which future demand has been made and market penetration ratio has been calculated.
- The strategy of marketing in the target markets.

4. Economic Viability : Economic viability is an important criteria for evaluating a project. Whatever may be the motivation in starting a project from the point of view of the promoters, it shall be necessary that the operations quantified on a year to year basis should generate sufficient profits. A project without adequate profits or which is likely to incur losses, could not be classified as commercially viable. Evaluation of economic viability can be carried out through projection of profitability worked out for a period ranging from three to ten years. In case of financial applications, such projections should be carried out for a period covering the term of the loan to be negotiated with banks and financial institutions. In any case, the profitability of a project should be established on a long-term basis, keeping in view a spread of five years after a reasonable level of capacity utilization is achieved.

A Projected Profitability Statement has to be prepared by taking into account-capacity utilization and all costs, it shall be necessary to proceed further and calculate certain ratios to evaluate the economic viability of the project. Some of the ratios are debt service coverage ratio, pay back period,

average rate of return, net present value, break-even sales and internal rate of return. The format of the. Profitability Statement is given below:

Projected Profitability, Statement

Rs. in Lakhs

	Years									
	1	2	3	4	5	6	7	8	9	10

Production during the year- Value

- Quantity

Utilisation of installed capacity - %

A. Sales

(1) Sales including all miscellaneous receipts.

(2) Less Excise

(3) Net Sales (a)

(4)Raw materials consumed

(5) Power and fuel

(6) Direct labour and wages

(7) Consumable Stores

(8) Repairs and maintenance

(9) Other manufacturing expenses

(10) Depreciation

Total (Cost of production) (b)

(11) And Opening Stock in process and finished goods.

(12) Deduct Closing Stock in process and finished good

B. Cost of Production

C. Cost of Sales (c)

D. Gross Profit (a-c) E.

Interest

(i) On term loan from Institutions and Banks

(ii) On Working capital loans

(iii) On other borrowings

F. Selling, General and Administrative Expenses

G. Profit Before Taxation

[D-(E+F)]

H. Provision For Taxes

L. Net Profit (G - H)

J. Depreciation Added Back

K. Net cash Accruals

L. Repayment Obligations

(i) Towards Institutions and Banks

(ii) Towards Others

TOTAL REPAYMENT

M. Debt/Service Ratio L : K

N. Contribution A – [(4+6+7)]

O. Break-even Value of Sales

---

5. Financial Viability : The appraisal of the financial aspects involves scrutiny of:

(a) Cost of the project and means of financing.

(b) Cash flow estimates.

(c) Project balance sheets.

(a) Cost of the Project and Means of Financing : The financial plan for meeting the cost of the project depends on how accurately the cost is estimated. The estimate will have to provide for:

(i) Land and site development

(ii) Plant and machinery.

(iii) Buildings.

(iv) Technical –know how fees.

(v) Miscellaneous fixed assets.

(vi) Preliminary expenses.

(vii) Pre-operative expenses.

(viii) Provision for contingencies.

(ix) Margin money for working capital.

Cost of the project having been accurately estimated, sources of finance should be identified. This is in the form of own funds and borrowed funds. Borrowed funds also referred to-as debt consists of term loans, deferred payment guarantees, public deposits, debentures etc. The debt-equity proportion of 2:1 should be generally adhered to.

(b) Cash Flow Estimates :

A cash flow statement is a projection of future sources of cash and their application. In the cash flow statement, profit is the most important source of inflow and profit depends on how accurately the cost of production and sales estimated have been arrived at. Profit that is considered as an inflow could increase or decrease-depending on management policies followed in the borrowing units. This is referred to as personal judgment concept.

For example, if there is a change in the method of inventory valuation, the profit would rise or fall. This does not indicate a corresponding increase or decrease in cash flows.

Debt Service Coverage Ratio (DSCR) : The DSCR establishes the relationship between net profits and the repayment of term loan and interest thereon. It is calculated as:

$$\frac{\text{Net Profit after Tax + Interest on term Loan + Depreciation}}{\text{Term Loan Instalment + Interest on Term Loan}}$$

A ratio of 2:1 is considered satisfactory, indicating that even if only, 50% of the net profits are earned, still repayment of installments of term loan and interest would not pose a problem.

(c) Projected Balance Sheets : Projected balance sheets are to be prepared for. each of the years covering the entire period of the term loan. The projected balance sheets report the effect of the plan of operations on the assets, liabilities and capital of the business unit. In analysing the projected balance sheets, attention is to be focussed on the movement of funds and also analysis its impact of the term loan granted by the financial institution on the assets and liabilities of the business unit.

A project should comply with all the above broad feasibility/viability criteria. However a project report need for necessarily cover all the above aspects. The depth and coverage of the above feasibility aspects could be planned in accordance with the purpose of preparation of the report and the size of investment in the project. Normally, discounted cash flow and calculation of economic rate of return are avoided in case of small scale projects. The detailed market survey is required only when the products to be manufactured have fierce competition. Therefore, prior to preparation of project report one need to consider the purpose of project report and the cost of its preparation. In case of a tiny project an expenditure of even two thousand rupees on preparation of project report may look quite high. For such projects one should attempt to prepare a project report covering, entrepreneurial capabilities, demand for

the product(s), and managerial, technical and financial viability. It may not cost too much to the entrepreneur and at the same time it will serve the desired purpose. In case of bigger projects the project report should contain all those details which have been discussed in this lesson.

A project report is not a document covering precise details especially in respect of financial and economic viability. It is essentially a projection of performances based on certain assumptions. Most of the long-term projections have some weaknesses and suffer from limitations. Similarly, project report may have certain limitations and should be used carefully.

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:

1. 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.

2. Capacity Utilisation Estimates : The entrepreneurs usually make overoptimisitc 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.

3. 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.

4. 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.

5. 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.

6. 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.

The project report/business plan is a blue-print of all those activities that an entrepreneur proposes to engage in. It is not only a guide frost for

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.

POSSIBLE QUESTIONS

Part – B

1. Define the term 'project'. How will you classify the projects?
2. Define a 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.

***CIA – 3 X 10 = 30 Marks (EITHER OR TYPE)**

****ESE – 5 X 8 = 40 Marks (EITHER OR TYPE)**

KARPAGAM ACADEMY OF HIGHER EDUCATION
COIMBATORE – 21
DEPARTMENT OF MANAGEMENT STUDIES
FIFTH SEMESTER – III BBA
ENTREPRENEURSHIP AND PROJECT MANAGEMENT (15BAU504)
LECTURE PLAN - Unit - I

SL. No.	Lecture Duration Hours	Topics to be Covered	Supported Material
1	1	Entrepreneurship Meaning, Definition and Importance	T : Page No : 1 - 14
2	1	Concept of Entrepreneurship	T : Page No : 15 - 18
3	1	Entrepreneur – Characteristics of an Entrepreneur Intelligence, Innovation, Creativity, and Knowledge etc.,	R 1: Page No : 3.10 – 3.20
4	1	Functions of Entrepreneur Innovation, Risk bearing, Organization and Management	T : Page No : 20 - 25
5	1	Types of Entrepreneur Innovative, Adaptive, Fabian and Drone	R 1: Page No : 3.14 – 3.16
6	1	Types of Entrepreneur Innovative, Adaptive, Fabian and Drone	R 1: Page No : 3.14 – 3.16
7	1	Role of Entrepreneurship	W 1 :
8	1	Role of Entrepreneurship in Economic Development	W 1 :
9	1	Intrapreneur – Role and Functions	W 2 :
10	1	Intrapreneur Vs Entrepreneur	W 2 :
11	1	Development / Growth of an Entrepreneur	T : 29 – 32
14	1	Factors affecting Entrepreneurial Growth	T : 33 – 40
15	1	Recapitulation and discussion of important questions	-
Total no. of hours planned for Unit – I			**12**

Text Books : T : Vasanth Desai, (2010), "Dynamics of Entrepreneurial Development and Management", Seventh Edition, Himalaya Publishing House, Mumbai.

Reference Books: R 1 : C.B. Gupta & N.P. Srinivasan, (2010), "Entrepreneurial Development", Revised Edition, Sultan Chand & Sons, New Delhi, Second Edition, Himalaya Publishing House, Mumbai.

Website : W 1 : http://www.entrepreneurs.com

W 2 : http://www.tn.org.shg.com

Unit – II

SL. No.	Lecture Duration Hours	Topics to be Covered	Supported Material
1	1	Entrepreneurship Development Programmes Need and Objectives of EDP	T : Page No : 161 - 180
2	1	Phases and Evaluation of Entrepreneurship Development Programmes	T : Page No : 147 - 160
3	1	Institutional Finance to Entrepreneurs State Financial Corporation (SFC)	T : 491 - 496
4	1	State Industrial Development Corporation (SIDC)	R I : Page No : 19.13 – 19.17
5	1	Importance, Contents and Functions of SIDC	R I : Page No : 19.13 – 19.17
6	1	State Industrial Promotion Corporation of Tamilnadu (SIPCOT) - Importance	W 3
7	1	Functions and Rules of SIPCOT	R2 : Page No : 45 – 57
8	1	Tamilnadu Industrial Investment Corporation Limited (TIIC)	T : Page No : 486 – 489
9	1	Tamilnadu Industrial Investment Corporation Limited (TIIC)	T : Page No : 486 – 489
10	1	Role and Significance of TIIC	R 1 : Page No : 18.13 – 18.16
11	1	Commercial Banks- Meaning, Definition and Divisions of Commercial Banks	R 1 : Page No : 19.16 – 19.25
12	1	Functions of Commercial Banks (SBI, RBI, PNB, IB & BOB)	R2 : Page No : 59 – 63
13	1	Small Industries Development Bank of India (SIDBI) Objectives, Significance and Functions	R 1 : Page No : 19.10 – 19.12
14	1	Small Industries Development Bank of India (SIDBI) Objectives, Significance and Functions	W 4
15	1	Recapitulation and discussion of Important questions	-
Total no. of hours planned for Unit – II			**15**

Text Books : T :

Reference Books : R 1 :
R 2 : S.S.Khanka, Entrepreneurial Development, Sultan Chand & sons, New Delhi, Eighth Edition, 2012.

Web Sites : W 3 : http://www.cfc.com
W 4 : http://www.ruralemploymentgeneration.org.com

Unit – III

SL. No.	Lecture Duration Hours	Topics to be Covered	Supported Material
1	1	Institutional Set up Meaning, Functions and Significance	R 1 : Page No : 19.2 – 19.3
2	1	District Industries Centre (DIC) Rules, Importance and Functions	R 1 : Page No : 18.2 18.4
3	1	Micro Small Medium Enterprises (MSMED) – Functions	T : Page No : 29 – 40
4	1	Small Industries Development Organisation (SIDO) Roles of SIDO	R 1 : Page No : 18.8 – 18.9
5	1	National Small Industries Corporation (NSIC)	R 1 : Page No : 18.10 – 18.13
6	1	Significance and Functions of NSIC	R 1 : Page No : 18.10 – 18.13
7	1	Small Industries Service Institutes (SISIs)	W 5
8	1	Rules regarding SISIs	W 5
9	1	Indian Investment Centre (IIC)	R 1 : Page No : 18.17-18.19
10	1	Functions of Indian Investment Centre	R 1 : Page No : 18.17 – 18.19
11	1	Khadi And Village Industries Commission (KVIC)	R 1 : Page No : 18.20 – 18.23
12	1	Khadi And Village Industries Commission (KVIC) Functions of KVIC	R 1 : Page No : 18.20 – 18.23
13	1	Cluster Development Programme (CDP),	R 2 : Page No : 70 – 72 : W6 :
14	1	Rural Employment Generation Programme (REGP)	R 2 : Page No : 70 – 72 : W6 :
15	1	Recapitulation and Discussion of Important questions	-
Total no. of hours planned for Unit – III			**15**

Text Books :

Reference Books : R 1 :
R 2 :

Web Sites : W 5 : http://www.smallindustriesserviceinstitutes.com
W 6 : http://www.employmentgeneration.org.com

Unit – IV

SL. No.	Lecture Duration Hours	Topics to be Covered	Supported Material
1	1	Project Management Meaning, Definition and Importance	R 1 : Page No : 6.1 – 6.3
2	1	Concepts of Project Management Project Identification and Project objectives	R 1 : Page No : 6.6 – 6.8
3	1	Categories of Project Internal and External constraints	R 1 : Page No : 6.9 – 6.10
4	1	Project Life Cycle – Phases Pre – Investment Phase , Construction Phase and Normalisation Phase	R 1 : Page No : 6.11 – 6.12, W 7 :
5	1	Project Design and Network Analysis	R 1 : Page No : 8.1– 8.10
6	1	Project Design and Network Analysis	R 1 : Page No : 8.1– 8.10
7	1	Project Appraisal and its Significance	R 1 : Page No : 9.3 – 9.15
8	1	Project Appraisal and its Significance	R 1 : Page No : 9.3 – 9.15
9	1	Characteristics of Project	R 1 : Page No : 9.16 – 9.19
10	1	Project Report	R 1 : Page No : 9.20 – 9.25
11	1	Project Manager Meaning and Importance	R 1 : Page No : 9.33 – 9.35
12	1	Role and Responsibilities of a Project Manager	W 7 :
13	1	Special Economic Zones (SEZs)	W 8 :
14	1	Special Economic Zones (SEZs)	W 8 :
15	1	Recapitulation and Discussion of Important Questions	-
Total no. of hours planned for Unit – IV			**15**

Text Books :

Reference Books : R 1 :

Web Sites : W 7 : http://www.projectlifecycle.com
W 8 : https://en.wikipedia.org/wiki/Special_economic_zone

Unit – V

SL. No.	Lecture Duration Hours	Topics to be Covered	Supported Material
1	1	Project Formulation Meaning, Objectives and Classification of Projects	R 1 : Page No : 7.1 - 7.8
2	1	Project Life Cycle – In Project Formulation	T : Page No : 227 - 230
3	1	Project Identification – Meaning, Concept & Significance	T : Page No : 236 – 253
5	1	Elements of Project Formulation - Input Analysis, Financial Analysis, Social Cost- Benefit Analysis	R 3 : Page No : 58 - 70
6	1	Project Report & Evaluation	R 3: Page No : 75 - 80
7	1	Project Report & Evaluation	R 3: Page No : 75 - 80
8	1	Project Feasibility Analysis – Need , Classification and Concepts	T : Page No : 254 – 265
9	1	Project Feasibility Analysis – Need , Classification and Concepts	T : Page No : 254 – 265
10	1	Preparation of Project Report	T : Page No : 266 – 274
11	1	Preparation of Project Report	T : Page No : 266 – 274
12	1	Recapitulation and Discussion of Important Questions	
Total no. of hours planned for Unit – V			**12**
13	1	Discussion of Previous ESE Questions	-
14	1	Discussion of Previous ESE Questions	-
15	1	Discussion of Previous ESE Questions	**3**
Total no. of hours planned for Unit – V & Previous ESE Question Paper discussion			**15**

Text Books : T :

Reference Books : R 1 :

R 3 : P. Saravanavel, Entrepreneurial Development, Ess Pee Kay Publishing House, Madras, Twelth edition, 2012.

Web Sites :

REFERENCES

Text Books : T : Vasanth Desai, (2010), "Dynamics of Entrepreneurial Development and Management", Seventh Edition, Himalaya Publishing House, Mumbai.

Reference Books: R 1 : C.B. Gupta & N.P. Srinivasan, (2010), "Entrepreneurial Development", Revised Edition, Sultan Chand & Sons, New Delhi, Second Edition, Himalaya Publishing House, Mumbai.

R 2 : S.S.Khanka, Entrepreneurial Development, Sultan Chand & sons, New Delhi, Eighth Edition, 2012.

R 3 : P. Saravanavel, Entrepreneurial Development, Ess Pee Kay Publishing House, Madras, Twelth edition, 2012.

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W 4 : http://www.ruralemploymentgeneration.org.com

W 5 : http://www.smallindustriesserviceinstitutes.com

W 6 : http://www.employmentgeneration.org.com

W 7 : http://www.projectlifecycle.com

W 8 : https://en.wikipedia.org/wiki/Special_economic_zone

Reg. No.....

[15BAU504]

KARPAGAM UNIVERSITY

Karpagam Academy of Higher Education
(Established Under Section 3 of UGC Act 1956)
COIMBATORE – 641 021
(For the candidates admitted from 2015 onwards)

BBA DEGREE EXAMINATION, NOVEMBER 2017

Fifth Semester

BUSINESS ADMINISTRATION

ENTREPRENEURSHIP AND PROJECT MANAGEMENT

Time: 3 hours Maximum : 60 marks

PART – A (20 x 1 = 20 Marks) (30 Minutes)
(Question Nos. 1 to 20 Online Examinations)

PART B (5 x 8 = 40 Marks) (2 ½ Hours)
Answer ALL the Questions

21. a. Discuss the various types of entrepreneurs according to the type of business.

Or

b. India needs small entrepreneurs than large - Discuss.

22. a. State the role played by Government in entrepreneurial development.

Or

b. Explain the functions of SLDC.

23. a. Discuss the role of Khadi and village industries commission for setup of MSMEs

Or

b. List out the functions of Indian Investment centre.

24. a. How a project is Formulated ?

Or

b. What are the responsibilities of Project Manager?

25. a. Explain the various steps in Project Formulation in small business.

Or

b. Discuss the importance of Project Report.

Register No.: …….
(15BAU504)

KARPAGAM UNIVERSITY
KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed University Established Under Section 3 of UGC Act 1956)
COIMBATORE – 641 021
(For the candidates admitted from 2015 onwards)
First Internal Examination – July, 2017

III BBA - Fifth Semester

ENTREPRENEURSHIP AND PROJECT MANAGEMENT

Date : 20.07.17 **Time: 2 Hours**
Session : FN **Maximum Marks: 50**

PART – A (20 X 1= 20 Marks)
Answer All the Questions

1. An _____ is one who discovers new methods.
   A. People B. Inventor C. Creator D. Organizer
2. An entrepreneur is the_____ of enterprise.
   A. Servant B. Owner C. Manager D. Advisor
3. A _____ entrepreneur will be very cautious.
   A. Fabian B.Drone C. innovative D. Adoptive
4. The motive of an entrepreneur is to start a _____
   A. Capital B. Cash C. Venture D. Shop
5. An _____ operates within organization.
   A. Innovative B.Intrapreneur C. Entrepreneur D. Fabian
6. Entrepreneurs always bear _____
   A. Risk B. Action C. Fear D. benefit
7. Which one of the following is not an Intrapreneurial leadership characteristic?
   A. Encourage the team work B. Not flexible C. Understands environment D. Persistent
8. Which of the following factor does not affect a person for being an entrepreneur?
   A. Education B. Gender C. Personal values D. Family background
9. People who own, operate, and take risk of a business venture is known as _____.
   A. Aptitude B. Employee C. Entrepreneurs D. Intrapreneur
10. An entrepreneur doing business within the national border is called _____
    A. international entrepreneurship B. intrapreneurship C. domestic entrepreneur D. imports
11. SIPCOT was set up in the year _____ as a public limited company
    A. Manufacturing B. Wholesaling C. Retailing D. Consumer
12. The SFCs were set up under the State Financial Corporations Act, _____
    A. 1951 B. 1961 C. 1961 C. 1959

13. Tamilnadu Industries Investment Corporation Limited (TIIC) which was set up in _____
A. 1951 B. 1949 C.1994 D. 1954

14. SIDC denotes
A. Service Industries Development Corporation B. Small Industries Development Corporation C. Small Industrial Development Corporation D. Small Industries Development Commission

15. Adoptive Entrepreneur is otherwise known as _____ Entrepreneur.
A. Drone B. Fabian C. Imitative D. True

16. An Entrepreneur is motivated by _____
A. Capital B. Assets C. Loss D. Profits

17. An Entrepreneur who is acting as an intermediary between capital and _____
A. Labour B. Cash C. Machinery D. Material

18. Entrepreneurial Development Programme as an attempt to develop the person as entrepreneur through structural _____
A. activating B. Controlling C. Training D. Implementing

19. Entrepreneurship is otherwise called by _____
A. Thrill Seeking B. Seeking C. Conceiving D. Perception

20. An Entrepreneur is _____ and he is his own boss.
A. Employed B. Unemployed C. Self-employed D. Self-Unemployed

PART – B (3 X 10= 30 Marks)
Answer All the Questions

21. a. Define the term entrepreneur and explain the qualities of an entrepreneur?
(Or)
b. Explain the role and significance of State Financial Corporations to entrepreneurs?

22.a. Describe the various factors affecting entrepreneurship?
(Or)
b. Determine the need, objectives and phases of Entrepreneurial Development Program?

23. a. Define the term entrepreneurship and explain the characteristics of entrepreneurship?
(Or)
b. Discuss the various types of an entrepreneur?

Class : III BBA

Subject : Entrepreneurship and Project Management

Subject Code : 15BAU504

Date & Session : 20.07.17 - FN

Number of Copies : 45

Subject Handled : V. Krishnaveni

Register No.: …….
(15BAU504)

KARPAGAM ACADEMY OF HIGHER EDUCATION
COIMBATORE – 641021
First Internal Examination – July, 2017

III BBA - Fifth Semester

ENTREPRENEURSHIP AND PROJECT MANAGEMENT

PART – A

1. Inventor
2. Owner
3. Fabian
4. Venture
5. Intrapreneur
6. Risk
7. Not flexible
8. Gender
9. Entrepreneurs
10. Domestic entrepreneur
11. 1971
12. 1951
13. Small Industries Development Corporation
14. Imitative
15. Profits
16. Labour
17. Training
18. Thrill Seeking
19. 1949
20. Self-Unemployed

PART – B

21. a. Define the term entrepreneur and explain the qualities of an entrepreneur.

Entrepreneurs are some of the most multiverse, multi-talented and diverse people out there. A successful entrepreneur puts on many different hats at the same time – he's a project manager, a risk-taker, an accountant, a marketer, a salesman… and in many cases, he's also a human-resource manager, a supply-chain manager, a customer-service and PR manager, and much more.

There are many different ways to define an 'entrepreneur', however I'd go with this one from Business Dictionary which says: "[An entrepreneur is] someone who exercises initiative by

organizing a venture to take benefit of an opportunity and, as the decision maker, decides what, how, and how much of a good or service will be produced."

A few very important keywords in there, such as 'exercising initiative', 'organize a venture', 'taking benefit of an opportunity', and 'decision maker' – all terms that aptly describe some of the qualities any successful entrepreneur out there!

The truth is that entrepreneurs need to have a certain set of qualities in order to be successful. These include some of the ones mentioned above, such as someone who takes initiative, takes advantage of any opportunity, and is a good decision maker. They also need to have certain other qualities and characteristics as well, what those are we shall now see.

Successful entrepreneurs are ambitious.

And how could they not be – you have to have ambition (and bucket loads of it!) in order to be a successful entrepreneur. Indeed, one of the qualities all entrepreneurs have (or one they need to have), is ambition. This means that they actively seek out problems, and have the ambition to fix them. Doing so comes to them as a habit; it is their state-of-mind. Everyone doesn't have this ambition, and this is one quality that defines an entrepreneur.

Successful entrepreneurs proactively find and seek-out opportunities.

One of the thing that defines an entrepreneur is his/her ability to search for potential opportunities. Because that is what being an entrepreneur is all about: finding potential problems and opportunities, and providing real, tangible solutions to these problems. Identifying or discovering an opportunity comes naturally to them, and it is actually a big part of being an entrepreneur in the first place. This excellent article elaborates this very point in a better manner than I ever could, worth a read!

Successful entrepreneurs are focused, goal-oriented, disciplined, well-organized and meticulous.

Getting a business running from the ground-up isn't easy, and understandably so. The fact is that a small percentage of startups go on to survive beyond the first year and become big businesses, and hence a small number of entrepreneurs really go on and make it big. Those who do have the discipline to follow their game-plan, and work on achieving their short-term and long-term goals and objectives. They are focused on ensuring that their businesses work. They are focused towards the achievement of their goals.

Successful entrepreneurs are hard workers who love what they do.

Successful businessmen love what they do. To them, work isn't simply 'work', it's their life! Successful entrepreneurs never look at it as their day-jobs their '9 to 5's' or 'something that they do in the day', their business is their life and they work extremely hard to accomplish their goals. That doesn't mean that they are workaholics or are married to their jobs – they set boundaries, and know how to work hard and work smart! Personally, I am a strong believer in hard-work, in fact I believe hard-work almost always trumps natural talent and ability, and doing what you love to do will provide you with that extra bit of motivation and impetus to work hard and give it your all!

Successful entrepreneurs are not afraid to take risks.

Good entrepreneurs don't fear taking risks, they take them on head-on. They have to take risks every day – it is part of running a business. The thing though about taking risks is that successful entrepreneurs take **calculated** risks, not foolish ones. This means that they weigh the pros and cons, of every decision that they face, take the advantages and disadvantages of every move into consideration, look at all possible outcomes and make a calculated and informed decision taking everything into consideration. Taking risks is part of the game, however taking calculated risks brings about a positive outcome most of the time, and when it doesn't…

Successful entrepreneurs are not afraid to make mistakes, and face failure.

In fact, they understand that it's all a part of the game, and they use each and every failure and every mistake that they make as a learning experience. You'd be hard-pressed to find even a single entrepreneur who hasn't made a bucketload of mistakes! The cold, hard truth is that every entrepreneur will end up making mistakes – some small and some big – and will fail numerous times. But each of these incidents will be a learning experience for a successful entrepreneur, and each of these instances will be an opportunity of him/her to emerge better and stronger. To quote Michael Dell: "Recognize that there will be failures, and acknowledge that there will be obstacles. But you will learn from your mistakes and the mistakes of others, for there is very little learning in success."

Successful entrepreneurs have a knack for innovation and creativity.

Successful entrepreneurs can usually be identified by their ambition to innovate – this involves developing new ideas, methods, processes, products, services, and above all, new solutions that meet new requirements and provide more value to stakeholders. A successful entrepreneur strives to bring about positive change around him or her, and hence is an excellent,

natural innovator. Besides, a large part of being successful in business relies upon improvement and positive change, and all good entrepreneurs have the vision to be creative and innovative in order to bring about this sort of change and improvement.

Successful entrepreneurs know what it takes to be successful

They challenge themselves to learn more and do more. They understand that all businesses are affected by certain internal and external factors – some of which are out of their control or beyond their abilities. They understand these limitations, and either build their own capacity so that they can get what they need, or work with people with different expertise and experience in order to overcome these barriers.

Successful entrepreneurs have excellent role models

These role models are people that they aspire to be, people that they look up to, and people who provide them with inspiration and the guidance that they need to be successful. A role-model could be anyone – such as someone from within your social circles, friends or family, or a famous personality who they look up to (Steve Jobs, Michael Dell, Richard Branson, Bill Gates all come to mind here and are just a few examples). Having a role-model, especially if he or she is your mentor too, can really take an entrepreneur to unprecedented heights of success, make him truly unstoppable!

Successful entrepreneurs are leaders.

That is perhaps the simplest way to put it: successful entrepreneurs are natural leaders, and possess many leadership qualities. They are good at managing all aspects of their professional and personal lives. They have the ability to make big decisions, and the right decisions. They can provide guidance and good opinions to others. They have good communication skills. They are people-oriented, and can get a group of people to work towards the attainment of a common goal while getting the best out of them. They are respected by their peers. They are self-motivated. Successful entrepreneurs are competitive. Above all, they put the accomplishment of their goals above everything and anything else, even if it requires them to do something that displeases them.

21. b. Explain the sificance and role of State Financial Corporationss to entrepreneurs.

A Central Industrial Finance corporation was set up under the industrial Finance corporations Act, 1948 in order to provide medium and long term credit to industrial undertakings which fall outside normal activities of commercial banks.

Statement of objects and reasons

In order to provide medium and long term credit to industrial undertaking, which fall outside the normal activities of commercial banks, a central industrial finance corporation was set up under the industrial Finance Corporations act, 1948.
The state governments wished that similar corporations should be set up in their states to supplement the work of industrial financial corporation. The intention is that the State corporations will confine to financing medium and small scale industrial and will , as far as possible consider only such access which are outside the preview of industrial finance corporation .

The main features of the State financial Corporations Act 1951:

The bill provides that the state government may, by notification in the official gazette, establish a financial corporation for the state. Shares of the corporation will be guaranteed by the State government as to the re – payment of principal and the payment of a minimum dividend to be prescribed in consultation with the central government.

The corporation will be authorized to issue bonds and debentures for amounts which together with the contingent liabilities of the corporations shall not exceed five – times the amount of the paid – up share capital and the reserve fund of the corporations. These bonds and debentures will be guaranteed as to payment of the principal and payment of interest at such rate as may be fixed by the State government.

The corporation may accept deposits from the public repayable after not less than five years, subject to the maximum not exceeding the paid up capital.

The corporation will be managed by a board consisting of a majority of Directors nominated by the State governments, The Reserve banks and the industrial Finance corporation of India

Financial resources of the SFC's:

The SFC's mobilize their financial resources from the following sources

1. Their own Share capital
2. Income from investment and repayment of loans
3. Sale of bonds
4. Loans from the IDBI (To some extent)
5. Borrowings from the Reserve Bank of India
6. Deposits from the Public
7. Loans from State Governments.

22.a. Describe the various factors affecting entrepreneurship.

The following are the Factors affecting entrepreneurial growth

1. Economic factors

Lack of adequate overhead facilities:

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

Non availability of capital

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

Great risk

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

Non availability of labor and skills

Though there is abundant labor supply there is generally scarcity of skills atall levels.'2.

Social factors

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

3. Cultural factors

Religious, social and cultural factors also influence the individual taking upan entrepreneurial career, in some countries there is religious and cultural belief that high profit is unethical. This type of belief inhibits growth of entrepreneurship.4.

Personality factors

In less developed countries the entrepreneur is looked upon with suspicion. publicopinion in the less developed nations sees in the entrepreneur only a profit maker and exploited.5.

Motivation

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

Motivating factors

1.education background 2.occupational experience3.family background4.desire to work independently in manufacturing line5. Assistance from financial

institution 6.availability of technology. other factors factors influencing entrepreneurship.The emergence of entrepreneurs in a society depends upon closelyinterlinked social, religious, cultural, psychological, and political andeconomic factors.

Family tradition:

Individuals who for some reason, initiate, establish maintain and expand new enterprises generate entrepreneurship in society. It is observed that entrepreneurs grow in the tradition of their families and society and accept certain values and norms from these sources. Religious,

social and cultural factors:

Religious, socialand cultural factors also influence the individual taking up an entrepreneurial Career, in some countries there is religious and cultural belief that high profitis unethical. This type of belief inhibits growth of entrepreneurship.

Psychological factors:

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

Political factors:

The political and also the political stability of country influence of the growth of entrepreneurship. The political system, which promotes free market, individual freedom and private enterprise, will promote entrepreneurship.

Economic policies:

The economic policies of the government andother financial institutions and the opportunities available in a society as a result of such policies play a crucial role in exerting direct influence on entrepreneurship. in view of the haphazard development of economic zones, government is encouraging the entrepreneurs to establish their business in backward and tribal areas. This is primarily to arrest the migration of people from the villages to cities and to create employment opportunities locally. government is promoting such development by giving incentives like tax holidays (both sales and income), subsidized power tariff, raw materials, transportation cost etc.,

22. b. Determine the need, objectives and phases of Entrepreneurial Development Program.

As the term itself denotes, EDP is a programme meant to develop entrepreneurial abilities among the people. In other words, it refers to inculcation, development, and polishing of

entrepreneurial skills into a person needed to establish and successfully run his / her enterprise. Thus, the concept of entrepreneurship development programme involves equipping a person with the required skills and knowledge needed for starting and running the enterprise.

Let us also consider a few important definitions of EDPs given by institutions and experts:

Small Industries Extension and Training Institute (SIET 1974), now National Institute of Small Industry Extension Training (NISIET), Hyderabad defined EDP as "an attempt to develop a person as entrepreneur through structural training. The main purpose of such entrepreneurship development programme is to widen the base of entrepreneurship by development achievement motivation and entrepreneurial skills among the less privileged sections of the society."

According to N. P. Singh (1985), "Entrepreneurship Development Programme is designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. It is necessary to promote this understanding of motives and their impact on entrepreneurial values and behaviour for this purpose." Now, we can easily define EDP as a planned effort to identify, inculcate, develop, and polish the capabilities and skills as the prerequisites of a person to become and behave as an entrepreneur.

Need for EDPs:

That, entrepreneurs possess certain competencies or traits. These competencies or traits are the underlying characteristics of the entrepreneurs which result in superior performance and which distinguish successful entrepreneurs from the unsuccessful ones. Then, the important question arises is: where do these traits come from? Or, whether these traits are in born in the entrepreneurs or can be induced and developed? In other words, whether the entrepreneurs are born or made? Behavioural scientists have tried to seek answers to these questions.

A well-known behavioural scientist David C. McClelland (1961) at Harvard University made an interesting investigation-cum-experiment into why certain societies displayed great creative powers at particular periods of their history? What was the cause of these creative bursts of energy? He found that 'the need for achievement (n' ach factor)' was the answer to this question. It was the need for achievement that motivates people to work hard. According to him, money- making was incidental. It was only a measure of achievement, not its motivation.

In order to answer the next question whether this need for achievement could be induced, he conducted a five-year experimental study in Kakinada, i.e. one of the prosperous districts of

Andhra Pradesh in India in collaboration with Small Industries Extension and Training Institute (SIET), Hyderabad.

This experiment is popularly known as 'Kakinada Experiment'. Under this experiment, young persons were selected and put through a three-month training programme and motivated to see fresh goals. One of the significant conclusions of the experiment was that the traditional beliefs did not seem to inhibit an entrepreneur and that the suitable training can provide the necessary motivation to the entrepreneurs (McClelland & Winter 1969). The achievement motivation had a positive impact on the performance of entrepreneurs.

In fact, the 'Kakinada Experiment' could be treated as a precursor to the present day EDP inputs on behavioural aspects. In a sense, 'Kakinada Experiment' is considered as the seed for the Entrepreneurship Development Programmes (EDPs) in India. The fact remains that it was the 'Kakinada Experiment' that made people appreciate the need for and importance of the entrepreneurial training, now popularly known as 'EDPs', to induce motivation and competence among the young prospective entrepreneurs.

Based on this, it was the Gujarat Industrial Investment Corporation (GIIC) which, for the first time, started a three-month training programmes on entrepreneurship development. Impressed by the results of GIIC's this training programme, the Government of India embarked, in 1971, on a massive programme on entrepreneurship development. Since then, there is no looking back in this front. By now, there are some 686 all-India and State level institutions engaged in conducting EDPs in hundreds imparting training to the candidates in thousands.

Till now, 12 State Governments have established state-level Centre for Entrepreneurship Development (CED) or Institute of Entrepreneurship Development (lED) to develop entrepreneurship by conducting EDPs. Today, the EDP in India has proliferated to such a magnitude that it has emerged as a national movement. It is worth mentioning that India operates the oldest and largest programmes for entrepreneurship development in any developing country.

The impact of India's EDP movement is borne by the fact that the Indian model of entrepreneurship development is being adopted by some of the developing countries of Asia and Africa. Programmes similar to India's EDPs are conducted in other countries also, for example, 'Junior Achievement Programme' based on the principle of 'catch them young' in USA and 'Young Enterprises' in the U. K.

Objectives of EDP:

The major objectives of the Entrepreneurship Development Programmes (EDPs) are to:

a. Develop and strengthen the entrepreneurial quality, i.e. motivation or need for achievement.

b. Analyse environmental set up relating to small industry and small business.

c. Select the product.

d. Formulate proposal for the product.

e. Understand the process and procedure involved in setting up a small enterprise.

f. Know the sources of help and support available for starting a small scale industry.

g. Acquire the necessary managerial skills required to run a small-scale industry.

h. Know the pros and cons in becoming an entrepreneur.

i. Appreciate the needed entrepreneurial discipline.

j. Besides, some of the other important objectives of the EDPs are to:

k. Let the entrepreneur himself / herself set or reset objectives for his / her enterprise and strive for their realization.

l. Prepare him / her to accept the uncertainty in running a business.

m. Enable him / her to take decisions.

n. Enable to communicate clearly and effectively.

o. Develop a broad vision about the business.

p. Make him subscribe to the industrial democracy.

q. Develop passion for integrity and honesty.

r. Make him learn compliance with law.

23. a. Define entrepreneurship and elaborate the scope and significance of entrepreneurship.

Entrepreneurship is the tendency of a person to organize the business of his own and to run it profitably, using all the qualities of leadership, decisions making and managerial caliber etc. The term "entrepreneur" is often used interchangeably with "entrepreneurship". But conceptually they are different. In a way, entrepreneur precedes entrepreneurship. It is concerned with the development and co-ordination of entrepreneurial functions.

Entrepreneurship is an abstraction and entrepreneurs are tangible persons. Well designed and controlled research studies on entrepreneurship are very few. If we view entrepreneurship as opposed to management, it becomes still more difficult to define entrepreneurship.

Entrepreneurship is a role played by or the task performed by the entrepreneur. The central task of the entrepreneur is to take moderate risk and invest money to earn profits by exploiting an opportunity. For this he must posses far-sightedness to perceive an opportunity so

that he can exploit it well in time. Although an entrepreneur has to perform diverse functions yet he must manifest many qualities in himself to be a good entrepreneur.

Entrepreneurship can be defined as the propensity of mind to take calculated risks with confidence to achieve a pre-determined business or industrial objective. That points out the risk taking ability coupled with decision making.

Innovation is one of the underlying dimensions of entrepreneurship. It is a key function in the entrepreneurial process. Without innovation, an entrepreneur cannot survive in the modern competitive business world. Entrepreneurship is a creative and innovative response to the environment and an ability to recognize, initiate and exploit an economic opportunity. An entrepreneur is an innovator who introduces who introduces something new in an economy. As per the Schumpeter's view, a person becomes an entrepreneur only when he or she is engaged in innovation .further, innovation is equal to competitive advantage. The entrepreneurs today realize the need for innovation. Innovation adds value to the product. It is only through innovation, the organizations can survive the increasing competition in the market place.

Definition:

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.

Nature And Characteristics Of Entrepreneurship

Entrepreneurship is the tendency of a person to organize the business of his own and to run it profitably, using various traits like leadership, decision making, innovation, managerial caliber etc. Entrepreneurship is a set of activities performed by an entrepreneur In a way, entrepreneur precedes entrepreneurship. The main features of entrepreneurship are as follows :

1.Economic Activity :

Although classical economists like Adam Smith and Richard Cantillon and many others didn't recognize entrepreneurship as an economic activity but since last few decades

entrepreneurship is catching up and is primarily becoming an economic function because it involves creation and operation of an enterprise.

Schumpeter's argument was that all important changes in the economy are set off by an entrepreneur and then these changes slowly work themselves through economic system, in the form of a business cycle.

(ii) Innovative Activity :

According to Schumpeter, entrepreneurship is essentially a creative and an innovative activity. There are five ways of being innovative.

(a) The introduction of a new good ;

(b} The introduction of a new method of production ;

(c) Opening of a new market ;

(d) The conquest of a new source of supply of raw-material ;

(e) The creation of a new organization of an industry.

Schumpeter's entrepreneur combines already existing materials and thereby produces something novel and innovative. It is only at that very moment when some one actually puts together such a combination that he is engaged in entrepreneurship. He suggests that it is very useful to study the constitutive parts of entrepreneurship, different motives that drive the entrepreneur and the main types of innovative behavior that entrepreneurship may result in.

Entrepreneurs tend to tackle the unknown; they do things in new and different ways' they weave old ideas into new patterns; they offer more solutions than exercises. However, just to be innovative is not enough unless that innovation is carried into production to benefit consumers.

(iii) A Function of High Achievement :

McClelland identified two features of entrepreneurship, (a) doing things in a different and better way; (b) decision making under uncertainty. People having high need for achievement are more likely to succeed as entrepreneurs. Psychological theories assert that people's capacity for entrepreneurship is decisively influenced by the way they are socialized as children.

David McClelland stressed that entrepreneurs are highly motivated by challenging and competitive work situations.

(iv) Creative and Purposeful Activity :

Entrepreneurship is virtually a creative, and purposeful activity. Entrepreneurship is a creative response to the changing environment. Earning profit may not be the sole objective but

introduction of something creative and new is the purpose of entrepreneurship. The benefit of this creativity must be enjoyed by people at large.

(v) Entrepreneurship :

An Organizing Function : As J.B. Say says : The entrepreneurs function is to combine the productive factors, to bring them together. According to him, an entrepreneur is one, who combines the land of one, the labour of another, and capital of yet another, and thus, produces a product. By selling the product in the market, he pays interest on capital, rent on land, wages to labourers and what remains is his profit. Thus, J.B. Say clearly distinguishes between the role of a capitalist as a financer and the entrepreneur as an organiser.

Marshall also advocated the significance of organisation among the services of special class of business undertakers.

(vi) Entrepreneurship :

A function of Risk-Bearing : Richard Cantillon, an Irishman living in France, defined entrepreneur who buys factors of production with a view to sell it at uncertain prices in future. Cantillon concerned of an entrepreneur as a bearer of non-insurable risk. Thus, Cantillon introduces elements of direction and speculation into the function of entrepreneurship.

Entrepreneurship is a dynamic and multi-dimensional concept. It is both an art as well science. It is more an art than science. In short, Entrepreneurship is what entrepreneurs do.

23. b. Discuss the various types of an entrepreneur?

Entrepreneurs may be classified in a number of ways.

A. ON THE BASIS OF TYPE OF BUSINESS.

Entrepreneurs are classified into different types. They are

1). Business Entrepreneur:

He is an individual who discovers an idea to start a business and then builds a business to give birth to his idea.

2).Trading Entrepreneur:

He is an entrepreneur who undertakes trading activity i.e;

buying and selling manufactured goods.

3) Industrial Entrepreneur:

He is an entrepreneur who undertakes manufacturing activities.

4) Corporate Entrepreneur:

He is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking.

5) Agricultural Entrepreneur:

They are entrepreneurs who undertake agricultural activities such as raising and marketing of crops, fertilizers and other imputs of agriculture. They are called agripreneurs.

B. ON THE BASIS OF USE OF TECHNOLOGY:

Entrepreneurs are of the following types.

Technical Entrepreneur:

They are extremely task oriented. They are of craftsman type. They develop new and improved quality goods because of their craftmanship. They concentrate more on production than on marketing.

Non-Technical Entrepreneur:

These entrepreneurs are not concerned with the technical aspects of the product. They develop marketing techniques and distribution strategies to promote their business. Thus they concentrate more on marketing aspects.

Professional Entrepreneur:

He is an entrepreneur who starts a business unit but does not carry on the business for long period. He sells out the running business and starts another venture.

C. ON THE BASIS OF MOTIVATION:

Entrepreneurs are of the following types:

1) Pure Entrepreneur:

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

Induced Entrepreneur:

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

Motivated Entrepreneur:

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

Spontaneous Entrepreneur:

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

D. ON THE BASIS OF STAGES OF DEVELOPMENT:

They may be classified into;

First Generation Entrepreneur:

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

Modern Entrepreneur:

He is an entrepreneur who undertakes those ventures which suit the modern marketing needs.

Classical Entrepreneur:

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

E. CLASSIFICATION ON THE BASIS OF ENTREPRENEURIAL ACTIVITY:

They are classified as follows:

Novice:

A novice is someone who has started his/her first entrepreneurial venture.

Serial Entrepreneur:

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

3) Portfolio Entrepreneurs:

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

F. CLASSIFICATION BY CLARENCE DANHOF:

Clarence Danhof, On the basis of American agriculture, classified entrepreneurs in the following categories:

Innovative Entrepreneurs:

They are generally aggressive on experimentation and cleverly put attractive possibilities into practice. An innovative entrepreneur, introduces new goods, inaugurates new

methods of production, discovers new markets and reorganizes the enterprise. Innovative entrepreneurs bring about a transformation in lifestyle and are always interested in introducing innovations.

2) Adoptive Or Imitative Entrepreneurs:

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

Fabian Entrepreneurs:

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

Drone Entrepreneurs:

Drone entrepreneurs are those who refuse to adopt and use opportunities to make changes in production. They would not change the method of production already introduced. They follow the traditional method of production. They may even suffer losses but they are not ready to make changes in their existing production methods. There is another classification of entrepreneurs. According to this, entrepreneurs may be broadly classified into commercial entrepreneurs and social entrepreneurs.

Others

1) Commercial Entrepreneurs:

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

2)Social Entrepreneurs:

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

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KARPAGAM ACADEMY OF HIGHER EDUCATION
COIMBATORE – 641 021
Second Internal Examination – September, 2017

III BBA - Fifth Semester

ENTREPRENEURSHIP AND PROJECT MANAGEMENT – Answer Key

PART – A

1. Indian

2. 1951

3. SIDO

4. Path Method

5. Responsibility

6. Project

7. Quantifiable project

8. Sectors

9. Project Identification

10. Three

11. Input, output and social cost and benefits

12. Project Objective

13. Project Objective

14. The Pre-investment phase

15. The construction phase

16. The normalization phase

17. Three

18. Project formulation

19. Techno-economic

20. Project Design

PART – B

21. a. Explain the role played by DIC in promoting industries.

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.

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.

b. Define the term Project and explain the classification of project.

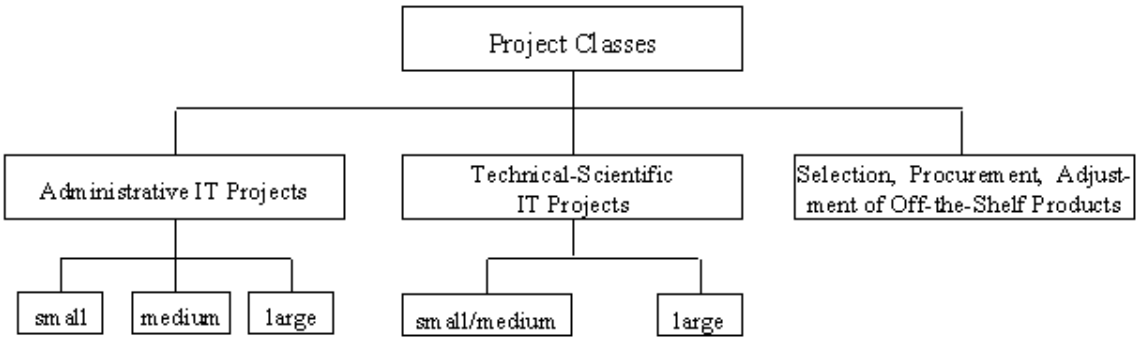
Planned set of interrelated tasks to be executed over a fixed period and within certain cost and other limitations. The team did not complete the project on time because one of the programmers left the company and they could not find an immediate replacement A project is a work effort made over a finite period of time with a start and a finish to create a unique product, service, or result. Because a project has a start and an end, it is also called a temporary effort or endeavor

IT projects are classified as “Small,” “Medium,” “Large,” or as “Super Projects.”

- Small Projects (1-3 weeks)
- Medium Projects (3-6 weeks)
- Large Projects (6-12 weeks)
- Super Projects (13 weeks or more)

Projects are classified based on their complexity and resource requirements. For example, a very complex project requiring all available resources (e.g. the implementation of a ERP module) will likely require 12+ weeks, where as a much smaller project may take only 1 week. The maximum number of projects that can be scheduled during each quarter must not exceed 12

weeks. The exception will be “Super Projects” in which case the project must be fully vetted to understand what resources will be required (internal vs. external) and for what duration.



Project Management is a management method that is used to plan, organize and control project activities. The project is initiated by executive committee that will initiate project work. The basic concept of Project Management is the delegation of general management authority to the Project Leader.

Projects can be classified based on duration and magnitude of effects. Classification is necessary in order to assess resources required for project development.

Based on duration can be:

Small Project Duration <= 1 month
Medium Project Duration <= 1 quarter
Large Project Duration > 1 year

The duration of the project is determined by complexity. The classification of project is the indication for the level of authority of project manager and executive committee. Example, major upgrade of business operation requires general management team to be involved as executive committee. Project manager should be manager from middle or top management. Duration of the project could be a year.

On the other side, the small scale project can be done within the month, by base level supervisor as project manager and floor workers as team members, while the project sponsor can be someone from middle management. The methods and tools can be the same, but adjusted to required level.

22.a. Determine the main functions of National Small Industries Corporation Limited.

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 avails 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.

22. b. Elaborate the need, objectives and phases of Project Life Cycle.

No matter what project it is that you're preparing for, the project management life cycle can assist you and your team in narrowing the project's focus, keeping it's objectives in order and finishing the project on time, on budget and with a minimum of headaches.

Every project management life cycle contains five steps: Initiation, Planning, Execution, Monitoring/Control and Closure. No one step is more important than the other and each step plays a crucial role in getting your project off the ground, through the race, down the stretch and across the finish line.

1) Initiation

In this first step you provide an overview of the project in addition to the strategy you plan on using in order to achieve the desired results. During the Initiation phase you'll appoint a project manager who in turn - based on his or her experience and skills - will select the required team members. And lest you think you need to be a Bill Gates or Donald Trump in order to see your project take on a life of it's own, fear not: there are some great technological tools available to get you through the Initiation phase of the project management life cycle.

2) Planning

The all-important second step of any successful project management life cycle is planning and should include a detailed breakdown and assignment of each task of your project from beginning to end. The Planning Phase will also include a risk assessment in addition to defining the criteria needed for the successful completion of each task. In short, the working processis defined, stake holders are identified and reporting frequency and channels explained.

3 & 4) Execution and Control

Steps Three and Four take you into deeper water. When it comes to the project management cycle, execution and control just may be the most important of the five steps in that it ensures project activities are properly executed and controlled. During the Execution and Control phases, the planned solution is implemented to solve the problem specified in the project's requirements. In product and system development, a design resulting in a specific set of product requirements is created. This convergence is measured by prototypes, testing, and reviews. As the Execution and Control phases progress, groups across the organization become more deeply involved in planning for the final testing, production, and support.

5) Closure

By the time you reach Step Five - Closure - the project manager should be tweaking the little things to ensure that the project is brought to its proper conclusion. The Closure phase is typically highlighted by a written formal project review report which contains the following elements: a formal acceptance of the final product (by the client), Weighted Critical Measurements (a match between the initial requirements laid out by the client against the final delivered product), lessons learned, project resources, and a formal project closure notification to higher management.

The Project Management Cycle saves time and keeps everyone on the team focused. Fortunately, modern technology provides a variety of templates that will take you from start-to-finish, which makes the Project Management Cycle user friendly no matter what your level of management experience may be!

23. a. Describe the services rendered by Small Industries Service Institutes (SISIs) for the development of SSIs.

At the heart of all agencies dealing with development of small industry is small industries development organization, SIDO. It was originally know 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 partition 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.

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.

b. Briefly explain the various roles and responsibilities of a Project Manager.

A project manager is the person who has the overall responsibility for the successful initiation, planning, design, execution, monitoring, controlling and closure of a project. The job title is used in construction, petrochemical, architecture, information technology and many different industries that produce products and services. The project manager must have a combination of skills including an ability to ask penetrating questions, detect unstated assumptions and resolve conflicts, as well as more general management skills.

Key among his or her duties is the recognition that risk directly impacts the likelihood of success and that this risk must be both formally and informally measured throughout the lifetime of the project. Risks arise from uncertainty, and the successful project manager is the one who focuses on this as the main concern. Most of the issues that impact a project arise in one-way or another from risk. A good project manager can lessen risk significantly, often by adhering to a policy of open communication, ensuring every significant participant has an opportunity to express opinions and concerns. It follows that a project manager is one who is responsible for making decisions both large and small, in such a way that risk is controlled and uncertainty

minimised. Every decision taken by the project manager should be taken in such a way that it directly benefits the project.

Project managers use project management software, such as Microsoft Project, to organise their tasks and workforce. These software packages allow project managers to produce reports and charts in a few minutes, compared with the several hours it can take if they do it by hand.

Roles and Responsibilities

The role of the project manager encompasses many activities including:

- Planning and Defining Scope
- Activity Planning and Sequencing
- Resource Planning
- Developing Schedules
- Time Estimating
- Cost Estimating
- Developing a Budget
- Documentation
- Creating Charts and Schedules
- Risk Analysis
- Managing Risks and Issues
- Monitoring and Reporting Progress
- Team Leadership
- Strategic Influencing
- Business Partnering
- Working with Vendors
- Scalability, Interoperability and Portability Analysis
- Controlling Quality
- Benefits Realisation

Finally, senior management must give a project manager support and authority if he or she is going to be successful.

Register No _____
[15BAU504]

KARPAGAM UNIVERSITY
KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed University Established Under Section 3 of UGC Act 1956)
COIMBATORE – 641021
(For the candidates admitted from 2015 onwards)
Second Internal Examination, August, 2017

III BBA - Fifth Semester

ENTREPRENEURSHIP AND PROJECT MANAGEMENT

Date : 31.08.2017 **Time: 2 Hours**
Session : FN **Maximum Marks: 50**

PART – A (20 X 1 = 20 Marks)
All the Questions Carry Equal Marks

1. There are _____ TIIC branches in Tamil Nadu
a. 15 b. 20 c. 18 d. 17

2. IIC is the link between Foreign entrepreneurs and _____ entrepreneurs
a. Indian b. Local c. Domestic d. Fabian

3. Refinance to commercial banks is granted only for loans ranging between _____
a. 1 and 5 years b. 3 and 6 years c. 3 and 10 years d. 3 and 5 years

4. _____ is the first state level financial institution in the country
a. TIIC b. SFC c. SIDBI d. SIDC

5. Indian Planning Commission classifies the _____ under the category of sectors
a. Plan b. Projects c. Proforma d. Proposal

6. Every project has _____ basic dimensions
a. One b. Two c. Three d. Four

7. SIDBI Commenced its operation With_____.
a. 251 crores b. 256 crores c. 255 crores d. 250 crores

8. _____ gives assistance to small Entrepreneurs.
a. Large Industry b. Middle Industry c. small Industry d. SIDBI

9. SIDBI gives importance for assistance of _____ scale operations
a. Leasing b. large c. high d. Small

10. In 1953 _____was started
a. SFC b. IFCI c. DIC d. Commercial banks

11. DIC is promoted for industries To cater all _____Industries
a. Medium b. needs small c. large d. needs large

12. TIIC's role is to promote the _____of the enterprises .
a. Development b. data c. catching d. enhancement

13. KVIC is activated in the year _____
a. 1953 b. 1963 c. 1964 d. 1825

14. The Expansion of CPM is _____ .
a. Critical Path Method b. Critical Par Method c. Critical Project Method
d. Critical Price Method

15. Main Objective of KVIC is to increase the _____employment opportunities.
a. Rural b. Urban c. District d. Nation

16. _____has been recognized as the nodal agency to support the small scale industry export promotion.
a. SIDO b.TDC c. NSIC d. IFSC

17. Planning and controlling the task is the _____of a project manager.
a. strategy b. responsibility c. procedure d. duty

18. _____pre-supposes commitment to tasks to be performed with well defined objectives, schedules and budget.
a . Plan b. Project c. Schedule d. Proposal

19. Projects concerned with industrial development, power generation, mineral development will be considered as _____
a. quantifiable project b. sectoral project c. techno-economic project
d. feasibility project

20. Indian Planning Commission classifies the projects under the category of _____.
a. economic development b. sectors c. quantity d. factor intensity

PART – B (3 x 10 = 40)
ANSWER ALL THE QUESTIONS

21. a. Elaborate the Financial Institutions involved in extending financial assistance to entrepreneurs?

(Or)

b. Describe the various functions and services of SIDBI.

22. a. Draft a specimen of a project report containing all essentials of a report?

(Or)

b. Elaborate the various functions and organizational set up of SIDO.

23.a. Explain the purpose of conducting a Techno – Economic study before launching a project?

(Or)

b. Determine the internal and external constraints of project identification.

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Class : III BBA

Subject : Entrepreneurship and Project Management

Subject Code : 15BAU504

Date & Session : 31.08.2017 - FN

Number of Copies : 45

Subject Handled : V. Krishnaveni

Register No _____
[15BAU504]

KARPAGAM UNIVERSITY
KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed University Established Under Section 3 of UGC Act 1956)
COIMBATORE – 641021
(For the candidates admitted from 2015 onwards)
Model Examination, September, 2017

III BBA – Fifth Semester

ENTREPRENEURSHIP AND PROJECT MANAGEMENT

Date : 14.09.2017 **Time: 3 Hours**
Session : N **Maximum Marks: 60**

PART – A (20 X 1 = 20 Marks)
All the Questions Carry Equal Marks

1. An entrepreneur will be an _____
a. Organizer b. manager c. seller d. purchaser

2. SIDBI Commences its operation With_____.
a. 251 crores **b. 256 crores** c. 255 crores d. 250 crores

3. An _____bears uncertainty.
a. Inventor **b. Entrepreneur** c. Manager d. Employer

4. An _____ is one who discovers new methods.
a. People b. Creator **c. Inventor** d. Employer

5. An entrepreneur is the_____ of an enterprise.
a. Servant b. **Owner** c. Manager d. Advisor

6. _____ is essential to any enterprise.
a. **Finance** b. Loan c. Document d. Credit

7. A _____entrepreneur will be very cautious
a. **Fabian** b. skilled c. innovate d. Drone

8. Indian Planning Commission classifies the projects under the category of _____.
a. Economic development b. Sectors c. Quantities d. Factors

9. A Project report is like a road _____.
a. report b. format c. project d. map

10. _____ is the most important to start an enterprise.
a. Seed Capital b. Report c. Project d. Document

11. Main Objective of KVIC is to increase the _____employment opportunities.
a. **Rural** b. Urban c. District d. Nation

12. All _____ need training
a. Customers b**. Entrepreneurs** c. Bankers d. Consumers

13. Financial Institutions co-ordinate policies to _____ the programmes.
a. **Assist** b. Asses c. Affect d. Attend

14. The term EDP refers to _____Development Programme
a. Entrepreneurship b. Entrepreneurial c. Entrepreneur d. Entrepreneuring

15. TIIC is sponsored by the Government of _____.
a. Tamilnadu b. Kerala c. Andhra Pradesh d. Karnataka

16. Planning and controlling the task is the _____of a project manager.
a. strategy b. responsibility c. procedure d. duty

17. _____pre-supposes commitment to tasks to be performed with well defined objectives, schedules and budget.
a . Plan b. Project c. Schedule d. Proposal

18 . Projects concerned with industrial development, power generation, mineral development will be considered as _____
a. quantifiable project b. sectoral project c. techno-economic project d. feasibility project

19. Indian Planning Commission classifies the projects under the category of _____.
a. economic development b. sectors c. quantity d. factor intensity

20. _____is concerned with the collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment.
a . Project selection b. Project evaluation c. Project identification
d. Project segmentation

PART – B (5 X 8 = 40 Marks)
ANSWER ALL THE QUESTIONS

21. a. Discuss the various types of an entrepreneur with suitable examples?
(Or)
b. Determine the various factors affecting entrepreneurship?

22. a. Determine the need, objectives and phases of Entrepreneurial Development Program?
(Or)
b. Describe how commercial banks participate in the financial assistance to small entrepreneurs?

23.a. Describe the institutional setup for entrepreneurial development in India?
(Or)
b. How does Indian Investment Centre promote entrepreneurship?

24. a. Explain the different stages of Project Life Cycle?
(Or)
b. Define the term Project management and explain its significance?

25.a. Describe the main phases of Feasibility analysis?
(Or)
b. Determine the need for project formulation techniques?

Class : III BBA

Subject : Entrepreneurship and Project Management

Subject Code : 14BAU504

Date & Session : 06.10.16 - FN

Number of Copies : 30

Subject Handled : V. Krishnaveni

Register No.: …….
(15BAU504)

KARPAGAM ACADEMY OF HIGHER EDUCATION
COIMBATORE – 641021
Model Examination, October, 2017

III BBA – Fifth Semester

ENTREPRENEURSHIP AND PROJECT MANAGEMENT

PART – A

1. Organizer
2. 250 Crores
3. Entrepreneur
4. Inventor
5. Owner
6. Finance
7. Fabian
8. Sectors
9. Map
10. Seed Capital
11. Rural
12. Entrepreneurs
13. Assist
14. Entrepreneurship
15. Tamilnadu
16. Responsibility
17. Plan
18. Quantifiable project
19. Sectors
20. Project evaluation

PART – B

21. a. Discuss the various types of an entrepreneur with suitable examples?

Entrepreneurs may be classified in a number of ways.

A. ON THE BASIS OF TYPE OF BUSINESS.

Entrepreneurs are classified into different types. They are

1). Business Entrepreneur:

He is an individual who discovers an idea to start a business and then builds a business to give birth to his idea.

2).Trading Entrepreneur:

He is an entrepreneur who undertakes trading activity i.e; buying and selling manufactured goods.

3) Industrial Entrepreneur:

He is an entrepreneur who undertakes manufacturing activities.

4) Corporate Entrepreneur:

He is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking.

5) Agricultural Entrepreneur:

They are entrepreneurs who undertake agricultural activities such as raising and marketing of crops, fertilizers and other imputs of agriculture. They are called agripreneurs.

B. ON THE BASIS OF USE OF TECHNOLOGY:

Entrepreneurs are of the following types.

Technical Entrepreneur:

They are extremely task oriented. They are of craftsman type. They develop new and improved quality goods because of their craftmanship. They concentrate more on production than on marketing.

Non-Technical Entrepreneur:

These entrepreneurs are not concerned with the technical aspects of the product. They develop marketing techniques and distribution strategies to promote their business. Thus they concentrate more on marketing aspects.

Professional Entrepreneur:

He is an entrepreneur who starts a business unit but does not carry on the business for long period. He sells out the running business and starts another venture.

C. ON THE BASIS OF MOTIVATION:

Entrepreneurs are of the following types:

1) Pure Entrepreneur:

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

Induced Entrepreneur:

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

Motivated Entrepreneur:

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

Spontaneous Entrepreneur:

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

D. ON THE BASIS OF STAGES OF DEVELOPMENT:

They may be classified into;

First Generation Entrepreneur:

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

Modern Entrepreneur:

He is an entrepreneur who undertakes those ventures which suit the modern marketing needs.

Classical Entrepreneur:

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

E. CLASSIFICATION ON THE BASIS OF ENTREPRENEURIAL ACTIVITY:

They are classified as follows:

Novice:

A novice is someone who has started his/her first entrepreneurial venture.

Serial Entrepreneur:

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

3) Portfolio Entrepreneurs:

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

F. CLASSIFICATION BY CLARENCE DANHOF:

Clarence Danhof, On the basis of American agriculture, classified entrepreneurs in the following categories:

Innovative Entrepreneurs:

They are generally aggressive on experimentation and cleverly put attractive possibilities into practice. An innovative entrepreneur, introduces new goods, inaugurates new methods of production, discovers new markets and reorganizes the enterprise. Innovative

entrepreneurs bring about a transformation in lifestyle and are always interested in introducing innovations.

2) Adoptive Or Imitative Entrepreneurs:

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

Fabian Entrepreneurs:

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

Drone Entrepreneurs:

Drone entrepreneurs are those who refuse to adopt and use opportunities to make changes in production. They would not change the method of production already introduced. They follow the traditional method of production. They may even suffer losses but they are not ready to make changes in their existing production methods. There is another classification of entrepreneurs. According to this, entrepreneurs may be broadly classified into commercial entrepreneurs and social entrepreneurs.

Others

1) Commercial Entrepreneurs:

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

2)Social Entrepreneurs:

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

21. b. Determine the various factors affecting entrepreneurship?

The following are the Factors affecting entrepreneurial growth

1. Economic factors

Lack of adequate overhead facilities:

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

Non availability of capital

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

Great risk

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

Non availability of labor and skills

Though there is abundant labor supply there is generally scarcity of skills atall levels.'2.

Social factors

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

3. Cultural factors

Religious, social and cultural factors also influence the individual taking upan entrepreneurial career, in some countries there is religious and cultural belief that high profit is unethical. This type of belief inhibits growth of entrepreneurship.4.

Personality factors

In less developed countries the entrepreneur is looked upon with suspicion. publicopinion in the less developed nations sees in the entrepreneur only a profit maker and exploited.5.

Motivation

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

Motivating factors

1.education background 2.occupational experience3.family background4.desire to work independently in manufacturing line5. Assistance from financial institution 6.availability of technology. other factors factors influencing entrepreneurship.The emergence of entrepreneurs in a society depends upon closelyinterlinked social, religious, cultural, psychological, and political andeconomic factors.

Family tradition:

Individuals who for some reason, initiate, establish maintain and expand new enterprises generate entrepreneurship in society. It is observed that entrepreneurs grow in the tradition of

their families and society and accept certain values and norms from these sources. Religious, **social and cultural factors:**

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

Psychological factors:

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

Political factors:

The political and also the political stability of country influence of the growth of entrepreneurship. The political system, which promotes free market, individual freedom and private enterprise, will promote entrepreneurship.

Economic policies:

The economic policies of the government andother financial institutions and the opportunities available in a society as a result of such policies play a crucial role in exerting direct influence on entrepreneurship. in view of the haphazard development of economic zones, government is encouraging the entrepreneurs to establish their business in backward and tribal areas. This is primarily to arrest the migration of people from the villages to cities and to create employment opportunities locally. government is promoting such development by giving incentives like tax holidays (both sales and income), subsidized power tariff, raw materials, transportation cost etc.,

22. a. Determine the need, objectives and phases of Entrepreneurial Development Program?

As the term itself denotes, EDP is a programme meant to develop entrepreneurial abilities among the people. In other words, it refers to inculcation, development, and polishing of entrepreneurial skills into a person needed to establish and successfully run his / her enterprise. Thus, the concept of entrepreneurship development programme involves equipping a person with the required skills and knowledge needed for starting and running the enterprise.

Let us also consider a few important definitions of EDPs given by institutions and experts:

Small Industries Extension and Training Institute (SIET 1974), now National Institute of Small Industry Extension Training (NISIET), Hyderabad defined EDP as “an attempt to develop a person as entrepreneur through structural training. The main purpose of such entrepreneurship

development programme is to widen the base of entrepreneurship by development achievement motivation and entrepreneurial skills among the less privileged sections of the society."

According to N. P. Singh (1985), "Entrepreneurship Development Programme is designed to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. It is necessary to promote this understanding of motives and their impact on entrepreneurial values and behaviour for this purpose." Now, we can easily define EDP as a planned effort to identify, inculcate, develop, and polish the capabilities and skills as the prerequisites of a person to become and behave as an entrepreneur.

Need for EDPs:

That, entrepreneurs possess certain competencies or traits. These competencies or traits are the underlying characteristics of the entrepreneurs which result in superior performance and which distinguish successful entrepreneurs from the unsuccessful ones. Then, the important question arises is: where do these traits come from? Or, whether these traits are in born in the entrepreneurs or can be induced and developed? In other words, whether the entrepreneurs are born or made? Behavioural scientists have tried to seek answers to these questions.

A well-known behavioural scientist David C. McClelland (1961) at Harvard University made an interesting investigation-cum-experiment into why certain societies displayed great creative powers at particular periods of their history? What was the cause of these creative bursts of energy? He found that 'the need for achievement (n' ach factor)' was the answer to this question. It was the need for achievement that motivates people to work hard. According to him, money- making was incidental. It was only a measure of achievement, not its motivation.

In order to answer the next question whether this need for achievement could be induced, he conducted a five-year experimental study in Kakinada, i.e. one of the prosperous districts of Andhra Pradesh in India in collaboration with Small Industries Extension and Training Institute (SIET), Hyderabad.

This experiment is popularly known as 'Kakinada Experiment'. Under this experiment, young persons were selected and put through a three-month training programme and motivated to see fresh goals. One of the significant conclusions of the experiment was that the traditional beliefs did not seem to inhibit an entrepreneur and that the suitable training can provide the necessary motivation to the entrepreneurs (McClelland & Winter 1969). The achievement motivation had a positive impact on the performance of entrepreneurs.

In fact, the 'Kakinada Experiment' could be treated as a precursor to the present day EDP inputs on behavioural aspects. In a sense, 'Kakinada Experiment' is considered as the seed for

the Entrepreneurship Development Programmes (EDPs) in India. The fact remains that it was the 'Kakinada Experiment' that made people appreciate the need for and importance of the entrepreneurial training, now popularly known as 'EDPs', to induce motivation and competence among the young prospective entrepreneurs.

Based on this, it was the Gujarat Industrial Investment Corporation (GIIC) which, for the first time, started a three-month training programmes on entrepreneurship development. Impressed by the results of GIIC's this training programme, the Government of India embarked, in 1971, on a massive programme on entrepreneurship development. Since then, there is no looking back in this front. By now, there are some 686 all-India and State level institutions engaged in conducting EDPs in hundreds imparting training to the candidates in thousands.

Till now, 12 State Governments have established state-level Centre for Entrepreneurship Development (CED) or Institute of Entrepreneurship Development (lED) to develop entrepreneurship by conducting EDPs. Today, the EDP in India has proliferated to such a magnitude that it has emerged as a national movement. It is worth mentioning that India operates the oldest and largest programmes for entrepreneurship development in any developing country.

The impact of India's EDP movement is borne by the fact that the Indian model of entrepreneurship development is being adopted by some of the developing countries of Asia and Africa. Programmes similar to India's EDPs are conducted in other countries also, for example, 'Junior Achievement Programme' based on the principle of 'catch them young' in USA and 'Young Enterprises' in the U. K.

Objectives of EDP:

The major objectives of the Entrepreneurship Development Programmes (EDPs) are to:

a. Develop and strengthen the entrepreneurial quality, i.e. motivation or need for achievement.

b. Analyse environmental set up relating to small industry and small business.

c. Select the product.

d. Formulate proposal for the product.

e. Understand the process and procedure involved in setting up a small enterprise.

f. Know the sources of help and support available for starting a small scale industry.

g. Acquire the necessary managerial skills required to run a small-scale industry.

h. Know the pros and cons in becoming an entrepreneur.

i. Appreciate the needed entrepreneurial discipline.

j. Besides, some of the other important objectives of the EDPs are to:

k. Let the entrepreneur himself / herself set or reset objectives for his / her enterprise and strive for their realization.

l. Prepare him / her to accept the uncertainty in running a business.

m. Enable him / her to take decisions.

n. Enable to communicate clearly and effectively.

o. Develop a broad vision about the business.

p. Make him subscribe to the industrial democracy.

q. Develop passion for integrity and honesty.

r. Make him learn compliance with law.

22. b. Describe how commercial banks participate in the financial assistance to small entrepreneurs?

The meeting was arranged to discuss the problems that small and medium enterprises (SMEs) had with accessing finance, which was still seen as the major hindrance to their development and success. A number of Development Finance Institutions (DFIs), business organisations, and the Department of Trade and Industry (DTI) offered their insights on the major problems and challenges and some proposals to improve the situation.

At the outset, dti noted that one of the factors that affected SMEs ability to get funding was the fact that many were unable to come up with viable proposals that persuaded the finance institutions of their viability and sustainability, as well as their difficulty in accessing markets, and the hurdles posed by business regulations and legislation. SMEs were seen by the banks as high-risk, with a high chance of failure, and most could offer no collateral security. It was, however, acknowledged that SMEs were a very important sector of the economy, contributing between 34% and 50% of gross domestic product, and contributing substantially (at about 60%) to employment. dti tried to lower the risks for commercial banks to lend to SMEs, by offering security to the banks. It was pointed out that big and small businesses did not grow at the same rate, and the private sector remained skeptical about funding. The government's direct lending market target, through Khula and other institutions, had included SMEs operating in low economic areas, start-ups and early expansion businesses, bridging and working capital finance, with a preference to black and women owned enterprises.

However, dti proposed a direct lending model for other funding, to close the existing gap. There was a need to assess the impact of direct lending, through the new Small Enterprise Finance Agency (SEFA), and to investigate other alternatives, including the possibility of a credit rating system to mitigate the lending risk, information sharing platforms for the sector, and alternatives to the current credit listing. The raft Financial Sector Charter introduced two new elements of Empowerment Financing and Access to Financial Services, while banks had

undertaken to offer a targeted investment of R48 billion towards transformation infrastructure, support for development of black farmers, support for Black SMME financing and access to affordable housing. The private sector needed more footprint in the rural areas.

The Small Enterprise Finance Agency (SEFA) outlined its development from the merger of Khula, SAMAF and IDC. It intended to provide and facilitate access to finance, to survivalist, micro, medium and small enterprises, and its products included business loans, funds and joint ventures as well as non-financial support. It also offered commercial debt-revolving loans, bridging finance, term loans, asset finance, and short-term trade finance. It hoped to partner with stronger financial intermediaries operating in sector specific or niche markets. SEFA would provide finance directly to viable SMMEs that could not attract other private sector funding, and leverage existing and potential partners. It would increase financial literacy in SMEs. It had offices in all nine provinces, and had developed a "one stop shop" concept.

Development Bank of Southern Africa (DBSA) was a wholly-owned government enterprise and focused on infrastructure development projects in priority sectors. Its new business came about through leads from the private sector, and it would engage with the public sector on project development and finance in the early stages. It had facilitated SME development, although this was not its primary aim. The Jobs Fund operational aspects were described, as well as its work with the Accelerated Schools Infrastructure Delivery Initiative. This had benefited 27 SMMEs in the construction sector and created 796 temporal jobs. Some of the lessons learned were outlined, including the need to find a balance between retaining and growing businesses, and commitment to championing external processes.

The National Empowerment Fund (NEF) aimed to promote and support black economic participation, through funding black-empowered businesses, assisting in business planning, offering mentorship support and early-stage investments. Many SMEs had low bargaining power, some were competing with well-established businesses, and most were undercapitalised with a low asset base. They were often also characterised by lack of accurate and reliable information, lack of business-planning skills and management depth. NEF provided funding between R250 000 and R75 million, and the criteria were outlined. These included a minimum percentage of black ownership or interest, black women empowerment, and black operational and managerial involvement, as well as considerations around commercial viability, geographic area, job creation, community involvement and returns on investment. If had so far approved over R3.7 billion for black businesses including R108 million for seven rural community deals.

Over 21.5% of the NEF's portfolio comprised women-owned businesses. It also offered business planning and mentorships support.

Banking Association South Africa (BASA) pointed out that banks were expected to make a profit, hence could lend only to viable initiatives that were aimed at growth and expansion of the respective sectors. The role of banks included the promotion of capital formation, investment in new and existing enterprises, balanced development of different regions, and influencing economic activity by increasing amounts of money in circulation, through credit creation and adjustments in interest rates. The banks recognised the importance of the SME sector, and set out its initiatives, including cooperation agreements with Khula and participation in forums to address the advocacy gap. The definition of SME varied from bank to bank, and this impacted upon how they approached entities. The various initiatives offered were described, ranging from short-term loans to overdrafts, invoice discounting and equity finance. However, there was a need for a review off the evaluation criteria, the lack of diversity of SMEs had to be address, and the lack of quality business development support should be addressed through grading and accreditation. The interventions proposed and already taken by BASA were described. There was a need to professionalise the sector and create industry standards, although BASA also lobbied to prevent regulation 'overload' and supported the creation of an SME Champion. Government should address structural constraints, improve outreach of credit guarantee mechanisms, promote greater engagement and lending by non-bank financial institutions or cooperatives, as well as establish debt and equity markets, improve information access and conduct studies.

Business Partners Ltd described itself as a risk financier for SMEs, which sought to enhance their access to finance. Similar constraints were outlined by this entity as already named, but Business Partners said that in addition to offering risk finance and capital, technical assistance, mentorship and consulting services, it also offered business premises exclusively for SMEs, and a wide range of investment services across a number of sectors. Its criteria for assessing business viability were set out, and it noted that it had financed more than 33 000 SMEs, to a value in excess of R12.5 billion, since 1981. Its 2012/13 targets aimed to provide more than R1 billion of risk finance or capital for SMEs, more than 40% to black entrepreneurs and more than 40% to women entrepreneurs.

Business Unity South Africa (BUSA) called on the DFIs to relax their criteria for funding to afford better access, and criticised the fact that they did not explain to applicants why their applications were rejected, nor assist them in coming up with better proposals. The fact that SMMEs were under represented in all aspects of the economy made it difficult for their

challenges to be addressed quickly. BUSA had launched an online platform to give more information and access to SMEs, and urged The platform would also help to create networks between small businesses and big businesses. He urged government institutions and all other entities to work together closely in order to help in the development of SMMEs in South Africa.

The National African Federation Chamber of Commerce (NAFCOC) said that DFIs should not be trying to make a profit from SMEs because they were essentially working with taxpayers' money, and instead urged them to take more risks, to increase their footprint in rural areas, and provide more funding. It was recommended that they should make use of the offices of Chiefs and partner with each other. NAFCOC also called for a review of regulatory laws, noting that some had actually hindered small businesses rather than protecting them, and urged that provincial and local bylaws also had to be reviewed. NAFCOC also cited non-payment by government department on time as a major challenge to the small enterprises. It felt that more focus was needed on the youth and noted its initiatives to ensure that young people were exposed to administrative know-how of large businesses. It urged the creation of a black-owned bank, and was opposed to the grading system, which hindered many SMEs from getting contracts. Another sector needing assistance was the taxi industry. Finally, NAFCOC noted its concerns at large shopping malls opening in townships and killing local small business. It urged that existing entrepreneurs should be assisted so that they could become organised and begin to buy for themselves.

The Foundation for African Business and Consumer Services (FABCOS) noted that micro enterprises had fallen in number over the past three years although small and medium enterprises had grown. There was still an uneven spread, with about 80% found in Gauteng, Western Cape and KwaZulu Natal. Most business enterprises were started by young people, and their problems, additional to those already described, included high interest rates, insufficient demand for services and high labour costs. FABCOS was concentrating on policy advocacy and trying to change government policies to promote better trading environments. It too recommended the need to review a number of pieces of legislation and policies.

23.a. Describe the institutional setup for entrepreneurial development in India?

The Entrepreneurship Development Institute of India (EDI), an autonomous and not-for-profit institute, set up in 1983, is sponsored by the IDBI Bank Ltd., IFCI Ltd., ICICI Bank Ltd. and State Bank of India (SBI). The government of Gujarat pledged twenty-three acres of land on which stands the EDI campus.

EDI has helped set up twelve state-level exclusive entrepreneurship development centres and institutes. Entrepreneurship has been taken to schools, colleges, science and technology institutions and management schools in the water performance sector by including entrepreneurship in their curricula. The University Grants Commission appointed the EDI as an expert agency to develop a curriculum on Entrepreneurship.

In the international arena, the development of entrepreneurship by sharing resources and organising training programmes, have helped the EDI earn support from the World Bank,

Commonwealth Secretariat, UNIDO, ILO, FNSt, British Council, Ford Foundation, European Union and other agencies.

The institute has carried out the task assigned by the Ministry of External Affairs (India), to set up Entrepreneurship Development Centres in Cambodia, Lao PDR, Myanmar and Vietnam. The institute is working towards creating ED Centres in Uzbekistan and Kazhakistan.

Entrepreneurship Development Institute of India

The Entrepreneurship Development Institute of India (EDII), an autonomous body and not-for-profit institution, set up in 1983, is sponsored by apex financial institutions, namely the IDBI Bank Ltd, IFCI Ltd. ICICI Ltd and State Bank of India (SBI). The Institute is registered under the Societies Registration Act 1860 and the Public Trust Act 1950. The Government of Gujarat pledged twenty-three acres of land on which stands the majestic and sprawling EDII campus.

Recognition from UN-ESCAP, Bangkok

The EDII has been selected as a member of the Economic and Social Commission for Asia and the Pacific (ESCAP) network of Centres of Excellence for HRD Research and Training.

23. b. How does Indian Investment Centre promote entrepreneurship?

Indian Investment Centre

- Being a service organization of the Government of India, the Indian Investment Centre was set up to promote foreign private investment in India. It furnishes valuable advises to foreign investors for setting up industrial projects in India by providing information regarding investment opportunities in India, the Government's industrial policy (including that relating to foreign investment and technology transfer), licensing procedures, taxation laws and facilities and incentives available. Indian investment centers also aids the foreign investors in finding partners in India.
- Indian investment center is also the nodal agency for investment in India by NRIs and OCBs in which NRI holding is not less than 60 per cent. It provides NRIs and OCBs hand holding services.
- It also assist to establish joint ventures and technical collaborations in India and abroad and third country ventures between Indian and foreign entrepreneurs. It also advices and aids the Indian entrepreneurs for locating suitable foreign firms for collaboration.
- The most vital thing that Indian investment center does is to assist both the Indian and the foreign investors to meet the procedural requirements of project approvals and in overcoming bottlenecks, if any, in the process of implementation of the project.

- The center has rich library containing books and reference materials coverings a wide range of subjects like industry, management, taxation, etc. For ready reference, a cross-section of journals, periodicals and magazines is also available.
- The publications of the center provide authentic and the vital information on various aspects of Government policies, procedures and regulations as also facilities, incentives and opportunities available to entrepreneurs in various industrial fields, both in India and abroad. It also publish magazines, journals and books detailing industrial policy, facilities and incentives for Non Resident Indians and technological development.
- The Indian investment center also furnishes information on current economic developments in India through its Monthly News Letter. Through this it provides information on industrial licences and letters of intent issued, and foreign collaborations approved, by the Government of India/Reserve Bank of India.

24. a. Explain the different stages of Project Life Cycle?

No matter what project it is that you're preparing for, the project management life cycle can assist you and your team in narrowing the project's focus, keeping it's objectives in order and finishing the project on time, on budget and with a minimum of headaches.

Every project management life cycle contains five steps: Initiation, Planning, Execution, Monitoring/Control and Closure. No one step is more important than the other and each step plays a crucial role in getting your project off the ground, through the race, down the stretch and across the finish line.

1) Initiation

In this first step you provide an overview of the project in addition to the strategy you plan on using in order to achieve the desired results. During the Initiation phase you'll appoint a project manager who in turn - based on his or her experience and skills - will select the required team members. And lest you think you need to be a Bill Gates or Donald Trump in order to see your project take on a life of it's own, fear not: there are some great technological tools available to get you through the Initiation phase of the project management life cycle.

2) Planning

The all-important second step of any successful project management life cycle is planning and should include a detailed breakdown and assignment of each task of your project from beginning to end. The Planning Phase will also include a risk assessment in addition to defining the criteria needed for the successful completion of each task. In short, the working processis defined, stake holders are identified and reporting frequency and channels explained.

3 & 4) Execution and Control

Steps Three and Four take you into deeper water. When it comes to the project management cycle, execution and control just may be the most important of the five steps in that it ensures project activities are properly executed and controlled. During the Execution and Control phases, the planned solution is implemented to solve the problem specified in the project's requirements. In product and system development, a design resulting in a specific set of product requirements is created. This convergence is measured by prototypes, testing, and reviews. As the Execution and Control phases progress, groups across the organization become more deeply involved in planning for the final testing, production, and support.

5) Closure

By the time you reach Step Five - Closure - the project manager should be tweaking the little things to ensure that the project is brought to its proper conclusion. The Closure phase is typically highlighted by a written formal project review report which contains the following elements: a formal acceptance of the final product (by the client), Weighted Critical Measurements (a match between the initial requirements laid out by the client against the final delivered product), lessons learned, project resources, and a formal project closure notification to higher management.

The Project Management Cycle saves time and keeps everyone on the team focused. Fortunately, modern technology provides a variety of templates that will take you from start-to-finish, which makes the Project Management Cycle user friendly no matter what your level of management experience may be!

24. b. Define the term Project management and explain its significance?

Project management is the art of managing the project and its deliverables with a view to produce finished products or service. There are many ways in which a project can be carried out and the way in which it is executed is project management.

Project management includes: identifying requirements, establishing clear and achievable objectives, balancing the competing demands from the different stakeholders and ensuring that a commonality of purpose is achieved. It is clear that unless there is a structured and scientific approach to the practice of management, organizations would find themselves adrift in the Ocean called organizational development and hence would be unable to meet the myriad challenges that the modern era throws at them. Hence, the importance of project management to organizations cannot be emphasized more and the succeeding paragraphs provide some reasons why organizations must take the practice of project management seriously.

Without a scientific approach to the task of managing the projects and achieving objectives, it would be very difficult for the organizations to successfully execute the projects within the constraints of time, scope and quality and deliver the required result. In other words, there has to be a framework and a defined way of doing things to ensure that there is a structure to the art of project management.

Thus, project management is about creating structure and managing the project commitments and the delivery of agreed upon results. By using the methods of project management as described in the PMBOK and allied technical journals, organizations can seek to achieve control over the project environment and ensure that the project deliverables are being managed. Managers face what is known as the "triple constraint". This is the competing demands of time, scope and quality upon the project manager's list of things to do and how well the project manager manages these constraints goes a long way in determining the success of the project. Without the use of Project Management, managers and organizations would find themselves facing an unpredictable and chaotic environment over which they have little control. Thus, Project Management is both necessary and essential to the success of the project.

Project Management is too big an area to be covered in a few pages and the attempt is to provide concise and lucid definitions of the various terms and terminologies associated with a project. It is important to note that project management provides a framework within which subsequent actions by the organization can be taken and in this way, it is essential for organizations to adopt the framework provided by the practice of project management.

Conclusion

In conclusion, Project Management and the practice of the same have become indispensable to the modern day project manager and they form the basis of much of what is achieved during the course of a project. Thus, the idea of a project being managed professionally lends itself to the concepts and processes laid out for the practitioners of the art of Project Management.

25.a. Describe the main phases of Feasibility analysis?

By following the accepted feasibility study method, project managers and their teams can reach the point of delivering their findings to stakeholders. The written report generated at the conclusion of the feasibility study can help move a team into the presentation phase of the project cycle. Moving readers through the following feasibility study steps can clarify questions about the study's recommendations.

Financial Projections

More than ever, Investors and CFOs pore over the financials in a feasibility study to make sure that projects can generate the kind of scalable profits that warrant their approval. Expert project managers emphasize the break-even analysis, a timeline view of the moment a project can pay for itself.

Recommendations & Findings

Summarizing all of the previous feasibility study steps, the recommendations and findings can shape the outcome of a project proposal. Instead of simply stating a “yes" or “no" answer to the question of project approval, this section offers an opportunity to enhance a project by pointing out areas of opportunity.

FEASIBILITY STUDIES

Project managers can cover the first four phases of the project cycle by conducting a comprehensive feasibility study.

The Whys and Wherefores of a Project Feasibility Study

The Importance of a Feasibility Study

Advantages of a Feasibility Study

Reviewing the 4 Steps of a Feasibility Study Method

Six Feasibility Study Steps

25. b. Determine the need for project formulation techniques?

The formulation and evaluation phase comprises seven main elements, described below:

1. Estimation of demand and benefits: This task determines the potential benefits that result from the investment. In projects that generate saleable products, the size and nature of market demand is estimated. In the case of non-income generating projects, the beneficiaries must be identified and the impact of the investment on those beneficiaries estimated. In both cases, the exercise helps define the scope of the investment and its characteristics.

2. Evaluation of the technology: The proposed technology is reviewed in light of the results of the evaluation of demand and benefits, in order to ensure that it is appropriate. The need for maintenance, repairs and machinery replacement and the possibility of alternate technologies is also considered.

3. Sustainability and environmental impact: This task considers the sustainability of the project not only from the perspective of natural resource usage and environmental impact. It is also

critical for those projects not generating substantial income streams, where there is a need for operational support once the investment is completed: a school is not sustainable if there is no provision for paying the teacher's salary. For investments with the likelihood of a negative environmental impact, impact mitigation measures, or ways to modify the project design to avoid these impacts, must be identified.

4. Estimation of costs and income: The next step is to define and calculate the costs and income associated with the investment and operation of the project. Although this may be a relatively easy step for simple investments, the introduction of variables such as perennial crops, livestock breeding or other complex activities can create significant complications.

5. Financing the investment: With costs and income calculated, the financing needs can be considered, both for investments and for the working capital needed for daily operations.

6. Organization and investment management: The most profitable project will fail if it lacks an adequate structure for directing and managing operations. The identification of these management needs is an integral element in the formulation and evaluation effort.

7. Evaluation and preparation of recommendations: With all the individual elements of formulation and evaluation gathered, the full project evaluation can be undertaken. However, the results obtained only tell part of the story. It is also necessary to identify the key factors that will influence the eventual success of the investment and to determine the risk that these factors may differ from those foreseen in the project design, affecting the success of the project.

8. Preparation for the investment: Aspects to be considered here are: task scheduling, negotiations with the financing sources, supervision of construction and other activities essential to the execution of the project.

B. Software Scope and Requirements

Given the custom software developed for RuralInvest, it is not necessary for users to be computer experts. However, access to a relatively modern computer and some level of familiarity with the Microsoft Windows operating system are indispensable. The use of a computer with a minimum of Microsoft Windows 95 (or later version) is recommended whenever possible.

Two principal types of operations are permitted by the software, the entry of project profiles (prepared in the field during Phase II) and the formulation of detailed project proposals. Electronic versions of the profiles can be used for management information purposes and can be sorted by key characteristics. They can also pass basic information automatically to the screens used for detailed formulation.

The detailed formulation option within the software permits automatic calculation of many of the steps necessary in the determination of project feasibility. Different screens exist for income generating and non-income generating investments. Once all required screens have been completed the software can generate project summaries or full project descriptions of between 8-25 pages, depending on the scale and complexity of the project. Information can also be passed from a computer in a local office or agency to a central headquarters, where projects prepared by different technicians can be grouped together. It is hoped that there will shortly be supplementary software available to permit the Management Information Systems (MIS) department of a Ministry, bank or large project to output detailed breakdowns of rural investment proposals by location and type of investment.

Finally, by subsequently replacing data used in the project models with real data once projects are in implementation, RuralInvest permits users to see clearly the differences between the project as envisaged when in preparation, and the project as it occurred in the real world. This comparison can be invaluable in helping to identify weaknesses in the project formulation process, and showing where more conservative assumptions or more detailed analysis, are necessary.

The computer software currently used by RuralInvest is largely developed in Microsoft Visual Basic with database functions derived from MS Access, and conforms to the structure used for the MS Windows Explorer package, which is found in all Windows desktops. While Windows is essential to run the RuralInvest package, there is no need for the user to have MS Access on his or her computer, as the package is self-executing (that is to say it carries its own programming code). A User's Manual provides additional support for the software, but the menu-driven structure and on-screen help renders the software easy to use once the underlying concepts have been understood (the key role of the training course).

The software offers two levels of entry, including user and administrator. Those with administrator-level access can modify a number of data entry parameters and output screens to meet the specific conditions of the country or institution supporting RuralInvest. For example, it is possible to define default currencies, administrative levels (e.g. municipalities, districts, provinces, states, etc.), regional or local offices, and project categories. It is also possible to set defaults for the financing aspects related to the investments, such as minimum and maximum duration of loans, the availability of grace periods, interest rates etc.

C. A Brief Warning

RuralInvest cannot work miracles. The quality and value of the final proposal generated as a result of using RuralInvest depends, to a large extent, on the care and thoroughness with

which the different stages of analysis have been completed. Poor information entered will result in poor results generated at the end of the process.

In some cases, specialized information is needed to determine such aspects as market characteristics, probable yields or the suitability of the zone for the proposed crop or product. It is therefore recommended that when a proposal deals with a matter involving information that goes beyond the knowledge or capability of the group and its advisor (for example, determining if the flow of a stream is sufficient to support an irrigation system of a determined size), the opinion and support of experts in the particular field should be sought. Organizations and agencies using RuralInvest should make allowance for the cost of such supplemental technical input and it can be vital for project integrity.

Of even greater importance is the treatment of much more common figures: yields, prices and costs. The computer software used in RuralInvest has only a very limited ability to identify and reject incorrect or over-optimistic numbers. Any proposal can appear attractive if the technician inserts very optimistic numbers into the formulation process and if she/he fails to give the necessary importance to such integral evaluations as marketing, technology, sustainability, management, etc., and treats them as unimportant tasks to be completed as quickly as possible. (a) to not inflate figures to generate positive outcomes, simply because the first numbers used did not give the desired result, and; (b) identify those elements which are most likely to affect the overall feasibility of the project (yields, prices etc.) and use the power of the computer to run the model various times under different assumptions. This will soon show which changes could result in a failure of the project.

15BAU504 CORE - ENTREPRENEURSHIP AND PROJECT MANAGEMENT

COURSE OBJECTIVES

- To create awareness among the students about the concepts of Entrepreneurship.
- To impart students knowledge about the financial Institutions.

COURSE OUTCOME

Entrepreneurship and Project Management represents the concepts of entrepreneurship, various financial institutions, project management and project formulation. It gives a brief understanding of functions of entrepreneur and project formulation.

UNIT I

Concept of Entrepreneurship – Definition, Characteristics and Functions of entrepreneur – Types of Entrepreneurs – Role of Entrepreneurship in Economic Development. Intrapreneur vs Entrepreneur - Factors affecting entrepreneur growth

UNIT II

Entrepreneurship Development Programmes – Need – Objectives - Phases- Evaluation. Institutional Support to Entrepreneurs – SFC – SIDCs – SIPCOT – TIIC - SIDBI

UNIT III

Institutional Setup – District Industries Centres (DICs) – Micro Small Medium Enterprises (MSMED) – Small Industries Development Organization (SIDO) – National Small Industries Corporation (NSIC) - Small Industries Service Institutes (SISIs) - Indian Investment Centre (IIC) – Khadi and Village Industries Commission (KVIC).

UNIT IV

Project Management - Meaning of Project - Concepts – Categories – Project life cycle Phases – Characteristics of a Project – Project Manager – Role and Responsibilities of Project Manager- Special Economic Zones (SEZs).

UNIT V

Project Formulation – Steps - Project Identification – Importance – Project Evaluation – Project Feasibility Analysis - Project Report.

TEXT BOOK

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