LECTURE NOTES

ON

ENTREPRENEURSHIP DEVELOPMENT

2nd SEMESTER

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MODULE -1

ENTREPRENEUR:

Meaning:

The word "entrepreneur" is derived from the French word "entreprendre", which means 'to undertake'. This refers to those who "undertake" the risk of new enterprises. An enterprise is created by an entrepreneur.

Entrepreneur refers to an individual who has the ability to organize and manage a business idea or a new enterprise, considering the in-built risks and consequences. They also act as leader assuming their responsibility towards the successful and failure of the enterprise. An entrepreneur has the ability to identify the needs of consumers and the society at large, and the ambition to set up an enterprise for fulfilling these needs through producing and marketing new products and services by bringing together the available land, wealth and labour.

An **entrepreneur** is an individual who, rather than working as an employee, founds and runs a small business, assuming all the risks and rewards of the venture. **Entrepreneurs** who prove to be successful in taking on the risks of a startup are rewarded with profits, fame and continued growth opportunities.

Qualities of a Successful Entrepreneur

Successful business people have many traits in common with one another.

• Disciplined

These individuals are focused on making their businesses work, and eliminate any hindrances or distractions to their goals, They have strategies and outline the tactics to accomplish them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

• Confidence

The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They implement that confidence in everything they do.

• Open Minded

Entrepreneurs realize that every event and situation is a business opportunity. Ideas. They have the ability to look at everything around them and focus it toward their goals.

•Self-Starter

Entrepreneurs know that if something needs to be done, they should start it themselves. They set the parameters and make sure that projects follow that path. They are proactive, not waiting for someone to give them permission.

• Competitive

Many companies are formed because an entrepreneur knows that they can do a job better than another. They need to win at the sports they play and need to win at the businesses that they create. An entrepreneur will highlight their own company's track record of success.

• Creativity

One facet of creativity is being able to make connections between seemingly unrelated events or situations. Entrepreneurs often come up with solutions which are the synthesis of other items. They will repurpose products to market them to new industries.

• Determination

Entrepreneurs are not thwarted by their defeats. They look at defeat as an opportunity for success. They are determined to make all of their endeavors succeed, so will try and try again until it does. Successful entrepreneurs do not believe that something cannot be done.

• Strong people skills

The entrepreneur has strong communication skills to sell the product and motivate employees. Most successful entrepreneurs know how to motivate their employees so the business grows overall. They are very good at highlighting the benefits of any situation and coaching others to their success.

• Strong work ethic

The successful entrepreneur will often be the first person to arrive at the office and the last one to leave. They will come in on their days off to make sure that an outcome meets their expectations. Their mind is constantly on their work, whether they are in or out of the workplace.

• Passion

Passion is the most important trait of the successful entrepreneur. They genuinely love their work. They are willing to put in those extra hours to make the business succeed because there is a joy their business gives which goes beyond the money. The successful entrepreneur will always be reading and researching ways to make the business better.

Skills required succeeding as an Entrepreneur

• **Ability to manage money:**

Very simply, if you can't manage money, you can't manage a business. Do you know where your money goes each month? Do you live off less than you earn? If the answer to these questions is no, you'll struggle to manage a business budget as well.

• **Ability to raise money:**

Once you can manage money, can you get more? In order to get investment, you need to not only understand where to get money, but how to convincingly make a case that your business is a good risk as well.

• **Ability to relieve stress:**

Stress is no laughing matter. If you allow yourself to get frustrated and upset by setbacks, you'll struggle as an entrepreneur.

• **Ability to be productive:**

This is a big topic, because there's no one right way to be productive that works for everyone. Learn about your peak energy times, your routines, and the productivity tools that work for you in order to create your own plan for success.

• **Ability to make entrepreneur friends:**

According to entrepreneur Jim Rohn, "You are the average of the five people you spend the most time with." So who do you want to be? Improve your odds of success by finding entrepreneur friends who will be able to understand your struggles and give you much needed insight.

• **Ability to identify strengths and weaknesses:**

As a business owner, you don't need to be perfect at everything. You do, however, have to understand where you're strong and where you're weak. Assessing this will inform everything from the business decisions you make, to the partners you bring on, and to the employees you hire.

• **Ability to hire effective people:**

Speaking of hiring, this is easily one of the most important skills any entrepreneur could have. Having great people on your team will give you access to new strengths, while also building a company culture that people want to be a part of hiring the right people is essential to get where you want to go.

• **Ability to train new staff:**

When you bring on someone new, a robust on boarding process will ensure that they know what to do and not do. Not only will this help keep your company moving the correct direction, it will increase the commitment level of good employees and give you grounds to follow up on misconduct.

• **Ability to manage staff:**

Once you have the right people, you need to manage them well. Early on in your business's growth, you'll be everyone's manager, so it pays to be effective. If you don't already know how to manage, take the time to learn how to motivate, encourage, and develop your staff.

• **Ability to focus on your customers:**

To be clear, without customers, you have no business. Make sure all of your pitches, products, and services are focused on actual customer needs. If you don't know what these are, research and ask questions so that you're able to give great customer service.

• **Ability to close a sale:**

Letting customers know you understand their pain is important, but asking for the sale is where many entrepreneurs get stuck. If you're nervous about this step, try enrolling in a sales workshop to learn these much-needed skills.

• Ability to spot new trends:

Business moves fast, so you've got to have the ability to see changes coming in your industry. Make it a point to keep up to date on new startups and the advances in technology that could be poised to disrupt your field.

• **Ability to deal with failure:**

No business venture is a straight line to success; knowing how to deal with ups and downs is essential. Remember that every successful person out there failed dozens of times before getting a win. Failure isn't the end - it's just a data point on the way to success.

• **Desire to improve your world:**

In the end, the best and most enduring motivation is to make a positive change in the world. When you focus your business and your success on that top priority, you'll find yourself ready to weather any storm to meet the goal.

TYPES OF ENTREPRENEURS:

Entrepreneurs are classified into different types based on different classifications.

1. **<u>According to the Type of Business</u>**

i. **Business entrepreneur:** Business entrepreneurs are those entrepreneurs who conceive the idea of a new product or service and then translate their ideas into reality.

ii. **Trading entrepreneur: (Buying -Selling)** Such entrepreneurs do not manufacture but purchase the product from the manufacturers and sell it to the customers directly.

iii. **Industrial entrepreneur:** These entrepreneurs are manufacturers or producers who analyze the current market demands and needs of the consumers and produce goods and services to satisfy them in an efficient manner.

iv. **Corporate entrepreneur:** Corporate entrepreneur is a person who demonstrates his innovative skill in organizing and managing corporate undertaking. A corporate undertaking is a form of business organization which is registered under some statue or act which gives it a separate legal entity. A trust registered under Trust act or company registered under the companies act is examples of corporate undertakings. A corporate entrepreneur is thus an individual who plans, develops and manages a corporate body.

v. **Agricultural entrepreneur (Cultivation):** Agricultural entrepreneur is the one who is engaged in the agricultural activities as raising and marketing of crops, fertilizers and other inputs of agriculture.

2. **<u>According to Motivation</u>**

i. **Pure entrepreneur:** Pure entrepreneur s are those individuals who are attracted to establish a business enterprise because they are really interested in doing so. That's why they choose this path only for their self- satisfaction. They have a strong desire to become entrepreneurs like Aditya Birla, Dhirubai Ambani.

ii. Induced entrepreneur: Induced entrepreneur s are those people who get attracted to the incentives, subsidies and facilities offered by the government for entrepreneurship.

3. According to the Use of Technology

i. Technical entrepreneur: The strength of a technical entrepreneur is in his skill in production techniques. He concentrates more on production than on marketing.

ii. Non-technical entrepreneur: Unlike technical entrepreneur, non-technical entrepreneur is not concerned with the technical aspect of the product rather he spends more time in developing alternative strategies of the marketing and distribution to promote his business.

iii. Professional entrepreneur: Professional entrepreneur s are those people who start new enterprise but don't run or manage it. They sell their enterprise and proceed with establishment of another such enterprise.

4. According to stages of Development

i. **First generation entrepreneur:** First generation entrepreneur are those entrepreneur who do not possess any entrepreneurial background. A first generation entrepreneur is one who starts an industrial unit by innovative skills. He is essentially an innovator, combining different technologies to produce a marketable product or service.

ii. Second generation entrepreneur: Second generation entrepreneur are those entrepreneurs who inherit the family business firms and pass it from one generation to another. A modern entrepreneur is one who undertakes those ventures which go well along with the changing demand in the market. They undertake those ventures which suit the current marketing needs.

iii. Classical entrepreneur: A classical entrepreneur is a stereotype entrepreneur whose aim is to maximize his economic returns at a level consistent with the survival of the unit but with or without an element of growth.

5. According to Capital ownership

i. Private entrepreneur(Self- Capital Investor): When an individual or a group of individuals set up an enterprise, arrange finance, bear the risk and adopt the latest techniques in the business with the intention to earn profits, he or the group is called as private entrepreneur/entrepreneurs.(Achyuta Samanta, Anand Mahindra, Deep Kalra, Gautam Adani)

ii. State entrepreneur(State Own entity): As the name indicates, state entrepreneur means the trading or industrial venture undertaken by the state or the government itself.

iii. Joint entrepreneur(Public, Private & Partnership): Joint entrepreneur means the combination of private entrepreneur and state entrepreneur who join hands.

6. According to Gender and Age

i. Man entrepreneur: The male individuals involved in establishing and managing entrepreneurial enterprises are called men entrepreneurs.

ii. Woman entrepreneur: The female individuals involved in establishing and managing entrepreneurial enterprises are called women entrepreneurs.(Vandana Luthra-VLCC, Suchi Mukherjee- Limeroad,

iii. Young entrepreneur: The amount of startups founded by the entrepreneurs under the age of 20 is called young entrepreneurs.(Tilak Mehta)

7. According to Area

i. Urban entrepreneur: They belong to urban areas and establish their business in the same location to avail the regional advantages. These types of entrepreneurs are mostly corporate or industrial entrepreneurs.

ii. Rural entrepreneur: Rural entrepreneurs are usually involved in trading or agricultural activities. They belong to rural areas and establish their business in the same location.

8. According to Scale

i. Large scale industry entrepreneur (anything above 5 crore)(Tea Industry, Jute Industry, Cement Industry, Sugar Industry, Paper Industry)

ii. Medium scale industry entrepreneur (Medium Scale: above 1crore to below 5 crore)

iii. Small scale industry entrepreneur (Investment from 25 Lakh up to 1 crore on plant and machinery .

iv. Tiny industry entrepreneur (Less than 25 lakhs)

Difference between Entrepreneur & Manager:

Basis	**Entrepreneur**	**Manager**
Motive	The main motive of an entrepreneur is to start a venture for his personal gratification.	The main motive of a manager is render services in an enterprise already set by someone else.
Status	Owner	Servant
Risk	Assumes risk and uncertainty	Manager does not bear any risk

		involved in enterprise.
Rewards	Profits, which are highly uncertain and not fixed.	Salary which is certain and fixed
Innovation	Entrepreneur himself thinks what and how to produce goods to meet the	A manager simply executes plans prepared by the entrepreneur.
Qualification	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk bearing ability etc.	A manager needs t distinct qualifications in terms of sound knowledge in management theory and practice.
Target	The main target of an entrepreneur is to start his venture by setting up as a sole-trader or firm or a company.	The main goal or motive of a manager is give his services to an enterprise set up by someone else i.e. an entrepreneur.
Decision Making	All of the policies and strategic decisions, like those comprising of expansion diversification, take-over etc are taken by the entrepreneur.	While all those managerial, operational decisions which would have impact on the short-and medium-term results are taken by the managers.
Skills	The skill expected from an entrepreneur is in the form of creativity, innovation, desire for high achievement, intuition etc.	Whereas manger depends on public dealing abilities and conceptual abilities.

Entrepreneurship

Entrepreneurship is the "process of the entrepreneur". It is an attempt to create value through recognition of business opportunity. It is basically communicative and management functions to mobilize financial and material resources.

Entrepreneurship means the function of creating something new, organizing & coordinating undertaking risk and handling economic uncertainty.

Entrepreneurship is a process of actions of an entrepreneur who is a person always in search of something new and exploits such ideas into gainful opportunities by accepting the risk and uncertainty with the enterprise. It is the process of starting a business, a startup company or other organization. The entrepreneur develops a business plan, acquires the human and other required resources, and is fully responsible for its success or failure. Entrepreneurship operates within an entrepreneurship ecosystem.

Definitions

According to A.H.Cole "Entrepreneurship is the purposeful activity of an individual or a group of associated individual, undertaken to initiate, maintain or aggrandize profit by production or distribution of economic goods and services".

Characteristics of Entrepreneurship

Entrepreneurship is characterized by the following features:

1. Economic and dynamic activity

Entrepreneurship is an economic activity because it involves the creation and operation of an enterprise with a view to creating value or wealth by ensuring optimum utilization of scarce resources. Since this value creation activity is performed continuously in the midst of uncertain business environment, therefore, entrepreneurship is regarded as a dynamic force.

2. Related to innovation

Entrepreneurship involves a continuous search for new ideas. Entrepreneurship compels an individual to continuously evaluate the existing modes of business operations so that more efficient and effective systems can be evolved and adopted. In other words, entrepreneurship is a continuous effort for synergy (optimization of performance) in organizations.

3. Profit potential

"Profit potential is the likely level of return or compensation to the entrepreneur for taking on the risk of developing an idea into an actual business venture." Without profit potential, the efforts of entrepreneurs would remain only an abstract and a theoretical leisure activity.

4. Risk bearing

The essence of entrepreneurship is the 'willingness to assume risk' arising out of the creation and implementation of new ideas. New ideas are always tentative and their results may not be instantaneous and positive. An entrepreneur has to have patience to see his efforts bear fruit.

5. Skill-full management

Entrepreneurship involves skill-full management. The basic managerial skill is the most important characteristic feature of entrepreneurship. For effective management of an enterprise, the role of an entrepreneur is to initiate and supervise design of organization improvement projects in relation to upcoming opportunities is very much important.

6. Accepting challenges

Entrepreneurship means accepting challenges amidst risk and uncertainty. While accepting entrepreneurship as a career the entrepreneur accepts the challenges of all odds and puts his efforts to convert the odds into viable business opportunities by pooling together the resources of building and running the enterprise.

7. Goal-oriented Activity

The entrepreneur who creates and operates enterprises seeks to earn profits through satisfaction of needs of consumers; hence, entrepreneurship is a goal-oriented activity. Entrepreneurship emphasizes results, achievements and targets achieved. It is work done not imaginary plans or paper decisions. Hence entrepreneurship is a goal-oriented activity.

8. Value Creation

Through entrepreneurship, new products, services, transactions, approaches, resources, technologies, and markets are created that contribute some value to a community or marketplace. We can also see value created when, through entrepreneurship; resources are transformed into outputs such as products or services.

9. Dynamic Process

Entrepreneurship is a dynamic function. Entrepreneur thrives on changes in the environment, which bring useful opportunities for business. An entrepreneur deals proactively with changing markets -and environment. He looks at the changes as the source of market advantages, not as a problem. Uncertainties are market opportunities for him. He capitalizes on fleeting market anomalies.

10. Uniqueness

Entrepreneurship involves new combinations and new approaches with which entrepreneurs are willing to experiment. Through Entrepreneurship unique products are created and unique approaches are tried. Entrepreneurship isn’t merely imitating what others have done. It’s doing something new, something untested and untried – something unique.

11. Interest and Vision

Since entrepreneurship pays off according to performance rather than time spent on a particular effort, an entrepreneur must work in an area that interests him. Otherwise, he will not be able to maintain a high level of work ethic, and she will most likely fail. This interest must also translate into a vision for the company’s growth.

12. Risk and Rewards

Entrepreneurship requires risk. However, this risk also tends to relate directly to the rewards involved.

Roles of Government in promoting Entrepreneurship:

Government plays a very important role in developing entrepreneurship. Government develop industries in rural and backward areas by giving various facilities with the objective of balances regional development. The government set programmes to help entrepreneurs in the field of technique, finance, market and entrepreneurial development so that they help to accelerate and adopt the changes in industrial development. Various institutions were set up by the central and state governments in order to fulfil this objective.

<u>A. Institutions set up by Central Government</u>

1. Small industries development organization (SIDO)

SIDO was established in October 1973 now under Ministry of Trade, Industry and Marketing. SIDO is an apex body at Central level for formulating policy for the development of Small

Scale Industries in the country, headed by the Additional Secretary & Development Commissioner (Small Scale Industries) under Ministry of Small Scale Industries Govt. of India. SIDO is playing a very constructive role for strengthening this vital sector, which has proved to be one of the strong pillars of the economy of the country. SIDO also provides extended support through Comprehensive plan for promotion of rural entrepreneurship.

2. Management development Institute (MDI)

MDI is located at Gurgaon (Haryana).It was established in 1973 and is sponsored by Industrial Finance Corporation Of India, with objectives of improving managerial effectiveness in the industry. It conducts management development programs in various fields. In also includes the programmes for the officers of IAS,IES, BHEL,ONGC and many other leading PSU's.

3. Entrepreneurship development institute of India (EDI)

Entrepreneurship Development Institute of India (EDI), an autonomous and not-for-profit institute, set up in 1983, is sponsored by apex financial institutions – the IDBI Bank Ltd., IFCI Ltd., ICICI Bank Ltd. and the State Bank of India (SBI). EDI has helped set up twelve state-level exclusive entrepreneurship development centres and institutes. One of the satisfying achievements, however, was taking entrepreneurship to a large number of schools, colleges, science and technology institutions and management schools in several states by including entrepreneurship inputs in their curricula. In the international arena, efforts to develop entrepreneurship by way of sharing resources and organizing training programmes, have helped EDI earn accolades and support from the World Bank, Commonwealth Secretariat, UNIDO, ILO, British Council, Ford Foundation, European Union, ASEAN Secretariat and several other renowned agencies. EDI has also set up Entrepreneurship Development Centre at Cambodia, Lao PDR, Myanmar and Vietnam and is in the process of setting up such centres at Uzbekistan and five African countries.

4. All India Small Scale Industries Board (AISSIB)

The Small Scale Industries Board (SSI Board) is the apex advisory body constituted to render advise to the Government on all issues pertaining to the small scale sector. It determines the policies and programmes for the development of small industries with a Central Government Minister as its president and the representatives of various organization i.e. Central Government, State Government, National Small Industries Corporations, State Financial Corporation, Reserve Bank of India, State Bank of India, Indian Small Industries Board, on government members such as Public Service Commission, Trade and Industries Members.

5. National Institution of Entrepreneurship and Small Business Development (NIESBUD), New Delhi

It was established in 1983 by the Government of India. It is an apex body to supervise the activities of various agencies in the entrepreneurial development programmes.It is a society under Government of India Society Act of 1860.The major activities of institute are:

i) To make effective strategies and methods

ii) To standardize model syllabus for training

iii) To develop training aids, tools and manuals

iv) To conduct workshops, seminars and conferences.

v) To evaluate the benefits of EDPs and promote the process of Entrepreneurial Development.

vi) To help support government and other agencies in executing entrepreneur development programmes.

vii) To undertake research and development in the field of EDPs.

6. National Institute of Small Industries Extension Training

It was established in 1960 with its headquarters at Hyderabad. The main objectives of national Institute of Small Industries Extension Training are:

i) Directing and Coordinating syllabi for training of small entrepreneurs.

ii) Advising managerial and technical aspects.

iii) Organizing seminars for small entrepreneurs and managers.

iv) Providing services regarding research and documentation.

7. National Small Industries Corporation Ltd. (NSIC)

The NSIC was established in 1995 by the Central Government with the objective of assisting the small industries in the Government purchase programmes. The corporation provides a vast-market for the products of small industries through its marketing network. It also assists the small units in exporting their products in foreign countries.

8. Risk Capital and Technology Finance Corporation Ltd.(RCTFC)

RCTFC was established in 1988 with an authorized capital of 15 crores rupees. The main objectives of RCTFC are provision of risk capital for the extension and expansion of entrepreneurial development and venture capital for the projects with high techniques for technology development and transfer.

9. National Research and development corporation (NRDC)

NRDC was established in 1953 under Department of Science and Industrial Research under Government of India. Its main objectives are:

i) Providing assistance in technology transfer

ii) Transfer of technology

iii) Establishing relations with various technology institutions and collecting various indigenous techniques developed by them.

10. Centre for Entrepreneurial Development (CED) Ahmedabad

It was sponsored by the Government of Gujrat and public financial institutions operating in the State. It conducts entrepreneurial development programmes at various centres.The important features of training programme are:

i) Training programmes were conducted after survey for opportunities was made.

ii) Appropriate linkage was established with supporting agencies supplying finance, factory sheds, raw materials, etc.

iii) Behavioural tests were conducted to select the entrepreneurs.

iv) Training programmes covered theoretical and practical aspects.

v) Full time project leader took follow up action after the training was over.

11. Institute for Entrepreneurial Development (IED)

It was set up by the IDBI in association with other financial institutions, public sector banks and the State Governments. The IEDs was set up to fulfil the entrepreneurial development needs of the industrially backward States in the country.

Difference between Entrepreneur & Entrepreneurship

Entrepreneur	Entrepreneurship
An entrepreneur is a person who bears the risk, combines various factors of production and brings new ideas and carries out creative innovations.	Entrepreneurship is the set of activities performed by an entrepreneur.
An entrepreneur is an individual, responsible for identifying a business opportunity and taking it from idea to implementation i.e. One man activity.	It is a process involving various actions to be undertaken to establish enterprise. It involves multiple activities.
Entrepreneur is a person.	Entrepreneurship is a process.
Entrepreneur is an organizer.	Entrepreneurship is an organization.
The main role of an entrepreneur is to set-up an enterprise.	The main role of an Entrepreneurship is to encourage the entrepreneur.
An innovator, who chased the dream till it becomes true.	A procedure through which an innovation is done.
Entrepreneur is a person who has an idea and gives shape to it.	Entrepreneurship is a process which gives shape to the idea.
Entrepreneur is one who et up the business venture to turn a concept into reality.	Entrepreneurship is the activity which an entrepreneur undertakes to set up the business venture.

Difference between Entrepreneur and Intrapreneur

Entrepreneur	Intrapreneur
An entrepreneur is independent in his operations	An Intrapreneur is dependent on the entrepreneur i.e. the owner.
An entrepreneur himself raises funds required for the enterprise.	The Intrapreneur does not raise funds.
Entrepreneur bears the risk involved in the business.	An Intrapreneur does not fully bear the risk involved in the enterprise.
An entrepreneur operates from outside.	On the contrary,anintrapreneur operates

	from within the organization itself.
An entrepreneur begins his business with a newly set up enterprise.	An intrapreneur sets up his enterprise after working someone else's organization.
As an entrepreneur establishes new business, so he does not posses any experience over the business.	An intrapreneur establishes his business after gathering experiences through working in the other organization.
Entrepreneurs may find it difficult to get resources	Intrapreneurs have their resources readily available to them.

Role of Entrepreneurs in Economic Development

Economic development essentially means a process of upward change whereby the real per capita income of a country increases over a period of time. Entrepreneur plays a vital role in economic development. Entrepreneurs serve as the catalysts in the process of industrialization and economic growth. Technical progress alone cannot lead to economic development, unless technological breakthroughs are put to economic use by entrepreneurs.

It is the entrepreneur who organizes and puts to use capital, labour and technology. Accordingly, "development does not occur spontaneously as a natural consequence when economic conditions in some sense are right. A catalyst is needed and this requires entrepreneurial activity to a considerable extent, the diversity of activities that characterizes rich countries can be attributed to the supply of entrepreneurs."

Entrepreneurs initiate and sustain the process of economic development in the following ways:

1. Capital Formation:
Entrepreneurs mobilize the idle savings of the public through the issues of industrial securities. Investment of public savings in industry results in productive utilization of national resources. Rate of capital formation increases which is essential for rapid economic growth. Thus, an entrepreneur is the creator of wealth.

2. Improvement in Per Capita Income:
Entrepreneurs locate and exploit opportunities. They convert the latent and idle resources like land, labour and capital into national income and wealth in the form of goods and services. They help to increase net national product and per capita income in the country, which are important yardsticks for measuring economic growth.

3. Generation of Employment:
Entrepreneurs generate employment both directly and indirectly. Directly, self-employment as an entrepreneur offers the best way for independent and honorable life. Indirectly, by setting up large and small scale business units they offer jobs to millions. Thus, entrepreneurship helps to reduce the unemployment problem in the country.

4. Balanced Regional Development:

Entrepreneurs in the public and private sectors help to remove regional disparities in economic development. They set up industries in backward areas to avail various concessions and subsidies offered by the central and state governments.

Public sector steel plants and private sector industries by Modis, Tatas, Birlas and others have put the hitherto unknown places on the international map.

5. Improvement in Living Standards:

Entrepreneurs set up industries which remove scarcity of essential commodities and introduce new products. Production of goods on mass scale and manufacture of handicrafts, etc., in the small scale sector help to improve the standards of life of a common man. These offer goods at lower costs and increase variety in consumption.

6. Economic Independence:

Entrepreneurship is essential for national self-reliance. Industrialists help to manufacture indigenous substitutes of hitherto imported products thereby reducing dependence on foreign countries. Businessmen also export goods and services on a large scale and thereby earn the scarce foreign exchange for the country.

Such import substitution and export promotion help to ensure the economic independence of the country without which political independence has little meaning.

7. Backward and Forward Linkages:

An entrepreneur initiates change which has a chain reaction. Setting up of an enterprise has several backward and forward linkages. For example- the establishment of a steel plant generates several ancillary units and expands the demand for iron ore, coal, etc.

These are backward linkages. By increasing the supply of steel, the plant facilitates the growth of machine building, tube making, utensil manufacturing and such other units.

Entrepreneurs create an atmosphere of enthusiasm and convey a sense of purpose. They give an organization its momentum. Entrepreneurial behavior is critical to the long term vitality of every economy. The practice of entrepreneurship is as important to established firms as it is to new ones.

Entrepreneurship as a career:

The greatest challenge before the youngsters in India today is to build the country into an economic global giant. The obvious questions that come to the minds of most of them are - “Why should we in India think of being an entrepreneur? Why not work as part of a larger organization where the opportunities and resources to scale ideas are perhaps far greater?

Entrepreneurship is important for two reasons.

One, it furthers innovation to find new solutions to existing and emerging demands.

Two, it offers far greater opportunities for wealth creation for self and the society than anything else. Entrepreneurship has its challenges. It is about 20 per cent luck and 80 per cent effort, clarity, courage, confidence, passion and above all smartness.

What leads a person to take up entrepreneurship as a career option?

There can be a number of reasons including displacement from a job, frustration in the present job, not getting a job of his/her choice, etc. Sometimes a person realizes much in advance that his/her job is in risk, as the organization is moving towards closure. At times a deserving employee getting superseded in promotion is compelled to quit the job and look for doing something on his own. Some people object to a system wherein reward is often based on seniority rather than merit.

Above facts are documented by the research findings of Gilad and Levine (1986). They proposed two closely-related explanations of entrepreneurial motivation, the "push" and the "pull" theory. The "push" theory argues that individuals are pushed into entrepreneurship by negative external forces, such as job dissatisfaction, difficulty in finding employment, insufficient salary, or inflexible work schedule. The "pull" theory contends that individuals are attracted into entrepreneurial activities seeking independence, self-fulfillment, wealth, and other desirable outcomes. Research indicates that individuals become entrepreneurs primarily due to "pull" factors rather than "push" factors.

Some of the prominent pull factors that attract individuals towards entrepreneurship as a career option are:

High Need for Independence: There are personalities who would like to have freedom about: with whom to work, when to work, with whom to do business at what terms etc. It is this instinct in them that pushes such personalities to start something of their own.

To satisfy the dream of having high Financial Rewards: To satisfy the need to derive high financial rewards as an outcome of efforts leads some to start a business of their own. The fundamental difference between job and own venture lies in the degree of financial rewards for the efforts put in to achieve organizational goals.

Opportunity to deal with all aspects of a business: No job can provide an opportunity to learn and deal effectively with a wide spectrum of business activities starting from idea generation, conceptualization, design, creation, marketing to customer response and customer satisfaction.

Vision to leave a long-lasting mark: Entrepreneurship creates an opportunity to make definite contribution to the society by lifting the people in and around the venture. A continuous zeal to innovate helps in touching the heads and hearts of people at large.

Desire to implement ideas: Individuals are attracted towards the entrepreneurial career because of the desire to implement their own ideas in the business. By becoming an entrepreneur, a person can produce a product from his idea. The short supply of any product can be organized by entrepreneurs and they can make efforts in fulfilling the shortage gap. They have a motivation and self-belief of serving better products or services which is not offered by the current producers and thus, they initiate new ventures.

Job insecurity: Another reason for choosing entrepreneurial career by individuals is that they feel insecure about the current job in a particular organization they shift to self-employment.

Family business: Individuals having family business may also shift to entrepreneurial career as they are already exposed to entrepreneurial environment. After completing their studies and having some experience in the industry they may start their own venture.

Positive aspects of entrepreneurship:

There is no age bar to entrepreneurship. But youth is certainly more suited to take up an entrepreneurial venture because they are technologically advanced, do not fear from change and challenge, and have greater ability to see things differently.

Thus, leaving aside the pull and push factors leading to entrepreneurship, the fundamental decision to take up entrepreneurship as a career option gets guided by a three-part process in which an individual weigh the desirability of self-employment with the desirability of working for others, possession of competencies and capabilities to undertake entrepreneurial venture. The fact remains that present environment provides great entrepreneurial opportunities and more and more youngsters are consciously opting for it a as career option.

The various positive aspects associated with entrepreneurship as a career are as follows:

- Being the boss of his own business, he enjoys unlimited powers. He can do things in his own way and he need not take orders from someone else. He can make his own decisions and act on them.
- A number of self-development opportunities are there before the entrepreneur.
- Working on one's own and thus getting rewards yields immense satisfaction and pleasure for more than what he can get in a job.
- Monetary rewards can be more than commensurate with his capacity and capabilities. Instead of depending on others, he generates employment for others.
- He can make significant contribution to the development of the country and be proud of taking part in nation building activities.
- He becomes able to offer jobs to others instead of working under someone.
- He can be a great achiever realizing his goals and proving his achievements to the world. He can be recognized for his outstanding efforts.

Negative aspects of entrepreneurship:

The various negative aspects associated with entrepreneurship as a career are as follows:

- Though an entrepreneur is his own boss, in some respects he is not. It is so because he is constrained by various people like his financiers, labourers, suppliers, customers and so on.
- He may have to face frustration since the scope of his operations is limited by his limited resources.
- He has to work long and hard hours from morning to dusk and his venture tends to absorb all his energy and time. This may affect his social and family life.
- Due to involved risk in entrepreneurial venture, a kind of tension is always there.

- At times he may have to face disappointments and frustrations since everything in his venture may not always work the way he would like it to do.
- He has to always work with tension since there is always the risk of failure.

Role of Family:

A lot has been documented about the importance of the entrepreneur's access to financial capital, as well as educational achievement and progress, to the enterprise's ultimate success. The family background of an entrepreneur is often an unrecognized aspect of success. Few facts regarding the role of family for entrepreneurs are:

- Two to three times more business is owned by the children of industrialists than those whose parents don't own a business. So, it is pretty clear that, business ownership runs within the family but the question here is does it lead to success?
- Entrepreneurs working in their family business before starting a business of their own, tend to be 10 to 40 percent more successful than they would be otherwise.
- The entrepreneur gains valuable experience through informal learning and apprenticeship that occurs while working in a family business.
- Family business is a golden ticket for family members to hold human capital linked to operating a business. It is not necessary to gain this experience in the same industry, probably because basic business experience is what counts.

The major scope through which families shift their business success across generations is by working through experience. However, a major drawback is the cycle of low rates of business ownership could be easily broken and relatively worse business outcomes could be passed from one generation to the next. It is very important to address the lack of opportunities to work in family businesses.

Role of Society:

The major role of the society in entrepreneurship is support. Entrepreneurs contribute to the society in the following ways:

- Business yields and allots products and services to meet certain public requirements. Business has to be very flexible and frequent research on consumer demands should be done to increase profit.
- Entrepreneurs create job opportunities. Income is ensured through entrepreneurship. It is a very important factor to consider.
- Entrepreneurship has its own contribution in the national well-being. It ensures it in different ways, assisting the government to preserve and manage all kinds of public, social institutions and services, etc.

Entrepreneurs facilitate in enlightening and educating people and motivating their growth at a personal level. Due to high level of competition in the market, it is important for both businessmen as well as their employees to be involved in the constant process of learning and improving personals skills and abilities like creativity, determination, communication skills and vision for new business chances.

Entrepreneurial Motivation:

Meaning

The entrepreneurial motivation is the process that activates and motivates the entrepreneur to exert higher level of efforts for the achievement of his/her entrepreneurial goals. In other words, the entrepreneurial motivation refers to the forces or drive within an entrepreneur that affect the direction, intensity, and persistence of his / her voluntary behavior as entrepreneur. So to say, a motivational entrepreneur will be willing to exert a particular level of effort (intensity), for a certain period of time (persistence) toward a particular goal (direction).

Definition

Motivation is regarded as “the inner state that energizes activities and directs or channels behavior towards the goal”.

Motivation is the process that arouses action, sustains the activity in progress and that regulates the pattern of activity.

Nature of Motivation

The nature of motivation emerging out of above definitions can be expressed as follows:

1. Motivation is internal to man

Motivation cannot be seen because it is internal to man. It is externalized via behaviour. It activates the man to move toward his / her goal.

2. A Single motive can cause different behaviours

A person with a single desire or motive to earn prestige in the society may move towards to join politics, attain additional education and training, join identical groups, and change his outward appearance.

3. Different motives may result in single behaviour

It is also possible that the same or single behaviour may be caused by many motives. For example, if a person buys a car, his such behaviour may be caused by different motives such as to look attractive, be respectable, gain acceptance from similar group of persons, differentiate the status, and so on.

4. Motives come and go

Like tides, motives can emerge and then disappear. Motives emerged at a point of time may not remain with the same intensity at other point of time. For instance, an entrepreneur overly concerned about maximization of profit earning during his initial age as entrepreneur may turn his concern towards other higher things like contributing towards philanthropic activities in social health and education once he starts earning sufficient profits.

5. Motives interact with the environment

The environment in which we live at a point of time may either trigger or suppress our motives. You probably have experienced environment or situation when the intensity of your hunger picked up just you smelled the odour of palatable food.

You may desire an excellent performance bagging the first position in your examination but at the same time may also be quite sensitive to being shunned and disliked by your class mates if you really perform too well and get too much of praise and appreciation from your teachers. Thus, what all this indicates is that human behaviour is the result of several forces differing in both direction and intent.

Entrepreneurial Motivating Factors / Factors motivating Entrepreneurs

Compelling Factors

- Unemployment
- Make use of idle funds
- Make use of technical skills
- Family circumstances

Facilitating Factors

- Acquired experience
- Moral support
- Influence of success stories
- Availability of finance & especially risk capital

Ambitions Factors

- To make money
- To secure self-employment
- To gain social prestige
- Desire to be creative

Compelling Factors: Often the individuals are forced to become entrepreneurs. Therefore, it is viewed as a compulsion rather than their own ambitions. Compelling factors leave no other choice for an individual which directs them towards entrepreneurship.

Some the compelling factors are as follows:

- **Unemployment:** It is the main reason for individuals to adopt entrepreneurship. This is one of those compelling factors where becoming an entrepreneur is the first and last option for a person.
- **Make use of idle funds:** Being an entrepreneur, one can effectively utilise his idle fund. It can be used to set up a new venture.
- **Make use of technical skills:** Instead of working for others who do not recognize the technical abilities of a person, individuals prefer to become entrepreneurs. This acts as one of the compelling factors as it helps them to exploit their technical skills.
- **Family circumstances:** Many times, family circumstances force the individuals to choose entrepreneurship as their profession.

Facilitating Factors: These factors facilitate the individuals to utilise their idle resources and easily start a particular business .Hence, they are known as facilitating factors.

These factors are as follows:

- **Acquired Experience:** The experience and skills of an individual facilitate him to become an entrepreneur. By doing so, an entrepreneur can earn profit effectively utilising his skills and experience for oneself.
- **Moral support:** Sometimes a person, may face problems in commencing his own business and having material support from friends and family is not just enough. At that time moral support is the most significant need, which facilitates a person to become an entrepreneur.
- **Influence of success stories:** many individuals get highly motivated by the success stories of various entrepreneurs. This is one of the important factors to start one's own business.
- **Ability of finance and especially risk capital:** The required finance and risk capital for start up venture is readily available to individuals in form of grants and subsidies. This acts as a motivator for individuals to become entrepreneurs.

Ambition factors: Often it is the internal drive and ambitions that motivate the individuals to start their own business.

Followings are some of the ambition factors:

- **To make money**: The ambition to earn money and make profits is one of the major factors that stimulate individuals towards entrepreneurships. It may also include the desire to innovate something new or to transform a concept into reality.
- To secure self-employment: in order to secure self-employment and independency may individuals start their own business.
- To gain social prestige: There are some people who establish a business enterprise to gain social prestige and recognition.

- Desire to become creative: A desire to be different from others and to create something new is the characteristic of a successful entrepreneur. He is never satisfied with his performance and is always ready to learn new things.

Achievement theory of motivation / Need for Achievement Theory of McClelland

According to McClelland the characteristics of entrepreneur has two features – first doing things in a new and better way and second decision making under uncertainty. McClelland emphasizes achievement orientation as most important factor for entrepreneurs. Professor David McClelland, in his book The Achieving Society, has propounded a theory based on his research that entrepreneurship ultimately depends on motivation. It is the need for achievement, the sense of doing and getting things done, that promote entrepreneurship. According to him, N-Ach is a relatively stable personality characteristic rooted in experiences in middle childhood through family socialization and child-learning practices which stress standards of excellence, material warmth, self-reliance training and 30 low father dominance.

According to David McClelland, regardless of culture or gender, people are driven by three motives**: Achievement, Affiliation and Power**

Need for Achievement

A drive to excel, advance and grow. The need for achievement is characterized by the wish to take responsibility for finding solutions to problems, master complex tasks, set goals, get feedback on level of success.

Need for Affiliation

A drive for friendly and close inter-personal relationships. The need for affiliation is characterized by a desire to belong, an enjoyment of teamwork, a concern about interpersonal relationships, and a need reduce uncertainty.

Need for Power

A drive to dominate or influence others and situations. The need for power is characterized by a drive to control and influence others, a need to win arguments, a need to persuade and prevail.

McClelland found that certain societies tended to produce a large percentage of people with high achievement. He pointed out that individuals, indeed whole societies that possess N-ach will have higher levels of economic well-being than those that do not. McClelland's work indicated that there are five major components to the N-ach trait: (a) responsibility for problem solving, (b) setting goals, (c) reaching goals through one's own effort, (d) the need for and use of feedback, and (e) a preference for moderate levels of risk-taking. The individual with high levels of need achievement is a potential entrepreneur. The specific characteristics of a high achiever (entrepreneur) can be summarized as follows:

(i) They set moderate realistic and attainable goals for them.

(ii) They take calculated risks.

(iii) They prefer situations wherein they can take personal responsibility for solving problems.

(iv) They need concrete feedback on how well they are doing.

(v) Their need for achievement exist not merely for the sake of economic rewards or social recognition rather personal accomplishment is intrinsically more satisfying to them.

According to McClelland, motivation, abilities and congenial environment, all combine to promote entrepreneurship. Since entrepreneurial motivation and abilities are long run sociological issues; he opined it is better to make political, Social and economic environments congenial for the growth of entrepreneurship in underdeveloped and developing countries.

Industrial sickness

Industrial sickness refers to the uneconomical performance of industrial entities. It reflects poor functioning of business operations and suggests that something has seriously gone wrong with the usual business running.

A Small Scale industrial unit is considered as sick if

"Any of the borrow accounts of the unit remains substandard for more than six months, i.e. principal or interest, in respect of any of its borrow accounts has remained overdue for a period exceeding one year will remain unchanged even if the present period for classification of an account as sub-standard is reduced in due course; or

There is erosion in the net worth due to accumulated cash losses to the extent of 50 per cent of its net worth during the previous accounting year.

The unit has been in commercial production for at least two years and it loses its status in the current year due to low level of production.

According to the criteria accepted by the Reserve Bank of India “a sick unit is one which has reported cash loss for the year of its operation and in the judgment of the financing bank is likely to incur cash loss for the current year as also in the following year.”

Major Causes of Sickness in Small Scale Industries

Small Scale Industries (SSIs) play vital role in the economic development of a country. Some SSIs turn out to be sick due to various reasons. Some of the major causes for sickness in small scale industries are dealt in brief.

1. Inadequacy of working capital

Some units turn out sick due to inadequacy of working capital. There may exists delay in sanction of working capital by financial institutions. Industrial units find it difficult to meet out day to day operations due to the time gap between sanction of term loan and working capital needs. Shortage of Working Capital is one of the main reasons for sickness.

2. Non-availability of credit

Sickness in SSI sector may be attributed to non-availability of credit. Delay in getting loans may result in stoppage of work or lead to production loss. Low production may lead to reduced sales which in turn may lead to financial loss.

3. Poor and obsolete technology

Some industrial units use technology which is outdated. Out dated technology may affect the quantity and quality of production. This results in production loss and reduces demand for the goods.

4. Non availability of raw material

Some units may require raw material which are scarcely available. Sometimes, the raw material required by the unit may not be available in abundance. Hence, this affects the production and the sales of the goods. If the raw material is not abundantly available, then the industrial units have to spend a large amount of money to buy them. This may result in financial loss.

5. Marketing problems

Sometimes, the industrial units may not know as to how to create demand for the products. Lack of marketing knowledge may result in less demand for the goods. Similarly, there may be less demand for the goods produced by the SSI due to competition or change in the taste of the buyers.

6. Erratic power supply

Shortage in power supply affects the industries. This results in delay in production of goods and leads to financial losses.

7. Labour problems

The relationship between the employer and the employees may not be cordial. Some of the labour problems such as strike, lay off, lock out may lead to industrial sickness.

8. Poor Management

The entrepreneur must be a good planner, organizer and a manager. If the Industrial Unit promoters lack managerial skills, then it may lead to several problems.

9. Inadequate attention to R&D

Industries have to allocate a part of money in research and development to survive and compete with competitors. Failure to focus on the above may lead to industrial sickness

10. Diversion of resources

If the employer utilizes the funds obtained for the business for any personal purposes, then diversion of funds will lead to industrial sickness. The funds used for personal purposes cannot be regenerated and hence it may result in delay in payment of loans or financial crisis for the borrower of the loan.

11. Globalization

Small scale industrial units may find it very difficult to compete with large scale industries and foreign competitors. Inability of the units to face growing competition due to liberalization and globalization may lead to industrial sickness.

12. Dispute among partners

There may arise dispute between the partners or family members running the unit. This results in stoppage of work and leads to industrial sickness.

13. Overambitious projects

The project may not be technically feasible, such an overambitious project is one of the reasons for industrial sickness.

Remedial measures to overcome Sickness

Some of the remedial measures to curb and overcome sickness in industrial undertakings are as follows:

1. Identifying sickness at initial stage

Sickness in Small Scale Industries are not a sudden phenomenon but it is a gradual process taking 5 to 7 years eroding the health of a unit beyond cure. Therefore, the identification and detection of the sickness at incipient stage is the first and foremost measure to detect and reduce industrial sickness. Sickness must be identified at initial stage.

2. Financial assistance

Lending agencies need to relax their lengthy process and other norms for extending credit to the SSIs. To combat the incidence of sickness financial institutions should grant credit without delay to SSI sector.

A number of initiatives can be undertaken to overcome credit problems such as:.

- Increasing Working capital limit.
- Enhancing the powers of bank managers of specialized bank branches in offering credit to SSI.
- Strengthening the mechanism for discounting bills.
- Reduced rate of interest.

These measures would improve the flow of credit and keep a check on the incidence of sickness.

3. Improving Infrastructure

Infrastructure facilities can be improved by setting up industrial estates. Common testing centres etc., infrastructural problems can be solved by improving the roadways, waterways, establishing telecommunication systems.

4. Technology Up-gradation

Funds may be provided by the financial institutions for adoption of advanced technology. Similarly, some sort of training may be provided for use of the latest technology to overcome technological problems. Technological up-gradation can help to overcome technological obsolescence.

5. Marketing assistance

Marketing assistance may be provided to entrepreneurs for marketing the goods produced by them. Government must help to market the goods. Government and Non Government Organizations (N.G.Os) can come forward for marketing the goods produced by the SSI sector. The problem of poor marketing of the products can be solved by coordinated efforts of entrepreneurs and promotional agencies.

6. Liquidation

It is better to wind up the business when there is no possibility to revive the unit.

7. Government Interventions

Interventions must be made by the government to prevent sickness. Periodic review of financial statements can help to identify and prevent sickness at initial stage.

8. Training

A proper environment must be created where an entrepreneur will be educated and will have a proper knowledge, skill and experience about internal and external environment of business to compete with large-scale industries and multinational companies.

9. Rehabilitation

Potentially viable sick units should be dealt well for the purpose of rehabilitation. Rehabilitation is a remedy considered for industrial units, which have already become sick and for the units that are on the verge of collapse.

Under the provisions of SICA, 1985, the Government of India has established Board for Industrial and **Financial Reconstruction (BIFR)** in January 1987 for determining the preventive, ameliorative, remedial and other measures which are required to be taken in respect of sick industrial company and for expeditious enforcement of rehabilitation schemes.

The main objective of SICA is to determine sickness and expedite the revival of potentially viable units or closure of unviable units (unit here in refers to a Sick Industrial Company). It was expected that by revival, idle investments in sick units will become productive and by closure, the locked up investments in unviable units would get released for productive use elsewhere.

The measures taken by BIFR are

- Legal
- Financial restructuring
- Managerial
- Rehabilitation Programmes

Taking into consideration the many sick micro, small and medium (MSM) industries, the MSM policy has provided a separate package for rehabilitation of such industries in India.

The policy proposes to set up a rehabilitation fund for sick industries, which will be managed by the Industries Commissioner and the Director of Industries and Commerce. Funds will be infused into the committee based on the recommendation of a State-Level Rehabilitation Committee (SLRC).

The rehabilitation fund, among other things, will be used for meeting 75 percent of the cost of the cause that made the industry unviable, and to sanction an interest subsidy of 4 per cent for two years on rehabilitation/bridge loans up to Rs.15 lakh to the sick MSM industries.

The rehabilitation measures would ensure that most units under lockout would be able to open at an early date and appealed to MSM units to avail of the facilities the government was providing them.

The rehabilitation programme involves the following depending upon the nature of sickness.

- Change of Management
- Development of a suitable management information system
- Settlement with the creditors for payment of their dues in a phased manner, taking into account the expected cash generation as per viability study.
- Determination of the sources of additional funds needed to refinance.
- Modernization of plant and equipment or expansion of an existing programme or even diversification of the products being manufactured.
- Concession or relief or assistance allowed by the state level corporation, financial institutions and Central Government.

Role of Banks and Governments in reviving industries:

In order to help the sick units to regain their health and revive them, many concessions and incentives have been given to these units, which are discussed below.

1. Banks Initiatives:

In order to rehabilitate sick industrial units the commercial banks have granted various concessions, such as,
(i) Grant of additional working capital facilities to overcome the shortage of working capital faced by such units,
(ii) Recovery of interest at reduced rates,
(iii) Suitable moratorium on payment of interest; and
(iv) Freezing a portion of the out-standings in the accounts, etc.

Besides these concessions, commercial banks have also initiated a number of steps on the organizational front to understand the problem of sick industrial units and their rehabilitation.

2. Government Policy:

(i) A policy framework regarding measures to deal with the problem of industrial sickness was laid down in the guidelines announced in October 1981 (modified in February 1982) for guidance of administrative ministries of Central Government, State Government and financial institutions.

(ii) Government taking over the management of a number of industrial units under the provisions of the industries (Development and Regulation) Act, 1951, with the aim of reviving them by providing management of support and financial support through banks and financial institutions for revival of sick units.

(iii) Government has announced the following concessions: (a) amended the Income-Tax Act in 1977 by addition of section 72A by which tax benefit can be given to healthy units when they take over sick units by amalgamation with a view to reviving them, and (b) introduced a scheme on January 1, 1982 for provision of margin money to sick units in the small scale sector a soft terms to enable them to obtain necessary fund from banks and financial institutions to implement their revival scheme.

(iv) For reducing sickness in small scale sector a liberalised margin money schemes (LMMS) was introduced in June 1987. Under the scheme the State Governments are to make a matching contribution on a 50-50 basis in providing assistance to sick small scale units in their rehabilitation. The maximum amount to be sanctioned has been enhanced from Rs. 20,000 to Rs. 50,000 per sick unit.

(v) The Industrial Reconstruction Corporation of India (IRCI), established by the Government to revive and rehabilitate sick units, was in 1985 converted into a statutory corporation now known as the Industrial Reconstruction Bank of India (IRBI) with the aim of overcoming the inherent difficulties which had been faced by the (IRCI).

(vi) In 1983 the RBI advised financing banks to develop methods to diagnose sickness in industrial units at the initial stage itself.

(vii) In 1985 the Sick Industrial Companies [Special Provisions] Act (SICA) was passed.

(viii) A scheme for the grant of excise loan to sick/weak Industrial units, introduced in 1989 has been further liberalised in 1990. Under the scheme, selected sick units will be eligible for excise loan not exceeding 50 percent of the excise duty actually paid for 5 years.

(ix) Board for Industrial and Financial Reconstruction (BIFR) set up under SICA 1985 for determining the preventive, remedial and other measures in respect of sick industrial units and for expenditure enforcement of the measures determined.

Module-2

Environmental Analysis for Enterprise

Entrepreneurial Environment

Entrepreneurial Environment is a combination of factors that play a role in the development of entrepreneurship. First, it refers to the overall economic, socio- cultural, and political factors that influence people's willingness and ability to undertake entrepreneurial activities.

A strong entrepreneurial sector can significantly boost economic growth of a country. Therefore, the focus for enterprises, including new ones, should be on improving business operations, scaling sustainable businesses, adopting new technologies and continuous innovation so that they can expand, and thereby create employment and wealth.

Components of entrepreneurial environment:

- **Social Environment:** Entrepreneurial activities can grow and manifold in a conductive and congenial social environment. Social environment presupposes a number of social factors which are critical for the growth of entrepreneurship. Social environment prepares background for entrepreneurial activities.
- **Economic Environment:** Economic environment plays a significant role in providing inducement to entrepreneurs for specific industrial activity. Economic activity refers to those economic factors which influence the entrepreneurs in identifying the business opportunities and giving their decision to finalize the ventures out of those opportunities that are economically viable and financially feasible.
- **Political Environment:** Government also plays important role in entrepreneurship development. If the existing ruling party frames industrial policy supporting industries , it encourages more and more entrepreneurs. Due to globalization, Indian economy has adopted free industrial policy , restrictions on industries have been minimized and MRTP Act has been cancelled, which has motivated many entrepreneurs to establish and to develop industries in Indian economy.
- **Legal Environment:** In practice, government regulates all important components of the economy. Government generally tries to control the entry, working, selection of resources and their uses in business situations. On these lines, government prepares legal environment of the business. However, it is the duty of government to develop regulatory framework in such a way which creates conductive environment necessary for business activities.
- **Technological Environment:** The technology and its environment play a predominant role in entrepreneurial development. Small business is influenced by the technological change that occurs continuously. Small enterprises confront competition in each sphere due to technological change and otherwise known as technological-know-how. It implies the up-to-date knowledge required for promoting and running the enterprise in the most efficient way. Technology also helps the entrepreneur to produce qualitative products or to deliver qualitative service.

- **Cultural Environment:** The effect of culture on entrepreneurs and strategies is also significant. Entrepreneurs must make sure that each element in the business plan has some degree of congruence with the local culture.

Factors affecting Entrepreneurial Environment:

- Lack of cash flow
- Changing Government policies
- Varying labour and raw material cost
- Competitors
- Natural disaster
- Customers' need and demand
- New opportunities or threats

Aspects of Identification of Opportunities

- **Scalability:**

Profits are dependent on efficient operations of an enterprise as well as its capability to scale up successfully. Thus, the initial focus of a business should be on capacity building practices, i.e. improving short term critical business processes with the objective of building excellence at every stage.

The second focus should be on the continuous improvement of daily activities, such as providing employees with basic training methods to develop problem solving skills along with creation of daily management teams, responsible for daily activities and capable of taking corrective actions.

However, the strategic focus of the business should be on long term growth of the enterprise and to achieve long term results, managing growth is essential. Managing growth critically depends on managing people involved in the business. Thus, entrepreneurs need to align their strategies and focus on their people priorities.

Organizations should work on building a people-friendly work culture and design, encouraging and acquiring new talent along with capability development and performance management that can help organizations develop into mature organizations.

- **Innovation:**

Innovation is one of the critical pillars that supports the success of entrepreneurs as well as small and medium businesses. Today, innovation has become an essential part of every organization's growth journey. It also enables a business to increase its customer base and enhance revenues, and can also contribute to increased profitability. For businesses to become successful, there is need for constant innovation across all fronts – products, operations, manpower management, production and marketing.

Entrepreneurs and MSMEs have their own unique approaches to innovation. The breakdown of the entire process into several components is explained in the figure below

However, not all innovation has to be radical or breakthrough in nature. Even small changes can bring about incremental and significant improvements in products or services that businesses can offer. Thus, regardless of the type of innovation, entrepreneurs should consider and be cautious about the inherent risks of innovation and ensure that the journey is smooth and fruitful.

- **Digitization:**

Digital technology has created numerous avenues for small businesses and entrepreneurs to reach out to their customers through which they can create an impact, innovate as well as grow.

The key trends in the digital landscape which have evolved over time include garnering and sustaining consumer interests through creation of meaningful content, a mobile first approach to interact in more personal ways with customers along with collecting intelligent customer level data, offering an integrated shopping experience through an Omni-channel strategy, engaging in smart business decisions through Internet of Things (IoT), connected devices and creating a faster interactive experience by deploying artificial intelligence.

MSMEs and larger enterprises face many challenges when it comes to digital marketing. These include lack of right tools and skills, tracking return on digital marketing efforts, storing, managing and utilizing customer data and data analytics. However, if done right, digital marketing can yield great results for small business organizations and help them reach out and build a customer base in a cost effective way.

To utilize the potential of digital presence for business growth it is important for the business organizations to understand the target customer base, design innovative marketing strategies to communicate with customers, measure the success of the organization periodically to gauge performance and set future targets and invest in relevant tools such as Customer Relationship Management to centralize customer information.

- **Consumers:**

No business enterprise can be thought of without consumers. Consumers demand for products and services to satisfy their wants. Also, consumers' wants in terms of preferences, tastes and liking keep on changing. Hence, an entrepreneur needs to know what the consumers actually want so that he/she can offer the product or service accordingly. Consumers' wants can be known through their feedback about the products and services they have been using and would want to use in future.

- **Existing Products and Services:**

One way to have an enterprise idea may be to monitor the existing products and services already available in the market and make a competitive analysis of them to identify their shortcomings and then, based on it, decide what and how a better product and service can be offered to the consumers. Many enterprises are established mainly to offer better products and services over the existing ones.

- **Distribution Channels:**

Distribution channels called, market intermediaries, also serves as a very effective source for new ideas for entrepreneurs. The reason is that they ultimately deal with the ultimate consumers and, hence, better know the consumers' wants.

As such, the channel members such as wholesalers and retailers can provide ideas for new product development and modification in the existing product. For example, an entrepreneur came to know from a salesman in a departmental store that the reason his hosiery was not selling was its dark shade while most of the young customers want hosiery with light shade. The entrepreneur paid heed to this feedback and accordingly changed the shade of his hosiery to light shade. Entrepreneur found his hosiery enjoying increasing demand just within a month.

- **Government:**

At times, the Government can also be a source of new product ideas in various ways. For example, government from time to time issues regulations on product production and consumption. Many a times, these regulations become excellent sources for new ideas for enterprise formation.

For example, government's regulations on ban on polythene bags have given new idea to manufacture jute bags for marketing convenience of the sellers and buyers. A prospective entrepreneur can also get enterprise idea from the publications of patents available for license or sale.

Besides, there are some governmental agencies that assist entrepreneurs in obtaining specific product information. Such information can also become basis for enterprise formation.

- **Research and Development:**

The last but no means the least source of new ideas is research and development (R&D) activity. R&D can be carried out in-house or outside the organization. R&D activity suggests what and how a new or modified product can be produced to meet the customers' requirements.

Available evidences indicate that many new product development, or say, new enterprise establishments have been the outcome of R&D activity. For example, one research scientist in a Fortune 500 company developed a new plastic resin that became the basis of a new product, a plastic molded modular cup pallet. Most of the product diversifications have stemmed from the organization's R&D activity.

Setting up a small enterprise:

Small scale enterprises or small and medium-sized enterprises are companies whose turnover falls below certain limits. An industry having number of employees and gross revenue less than the specified limits is known as small-scale industry or small and medium sized industry.

An industrial undertaking is referred to as small-scale industry only if its investment in fixed assets like plant, machinery is not more than 5 crore (in manufacturing organization)and 25 crore (in service organization).

Entrepreneurs hinder the market equilibrium by lunching innovative products and new processes. This results in variations in the existing business processes.

On the other hand the owners of small businesses typically operate their businesses to ear livelihood. These businesses grow eventually and tend to imitate similar businesses that already exist in the market.

However, it should be kept in mind that entrepreneurial ventures also start-up but their goals are big. This act as the main point of difference between a small-scale business and entrepreneurial ventures.

Steps in setting up a small business enterprise:

1. Discovery of an idea.

2. Determining the objectives.

3. Identifying opportunities.

4. Detailed investigation of an idea.

5. Undertaking various research.

6. Designing a business plan.

7. Resource rising.

8. Setting up the enterprise.

9. Managing the enterprise.

1. Idea generation:
This is the most important function of an entrepreneur. Idea is generated through vision. Idea generation is a critical skill in entrepreneurship. Insight,observation, experience, education, training etc. Idea can be generated through environmental scanning and market survey. An entrepreneur conceives an idea for the formation of a company.

An entrepreneur is not someone with clever ideas but someone who has the ability to turn that idea into a real business. An entrepreneur conceives the idea of launching the project and program the structure of business. Converting a business idea into a commercial venture is at the heart entrepreneurship

2. Determining the objectives:
The next step in setting up business venture is determining the objectives of the business. Objectives are the goals of a business venture. Objectives are the ends towards which activities of the organisation are directed. The entrepreneurs stress the need for high achievement. The objectives must be realistic in nature.

3. Identifying opportunity:
This is the first step in setting up of a business unit Entrepreneur is an opportunity seeker. As observed by Albert Einstein "In the middle of every difficulty lies opportunity". He perceives an opportunity and strives to translate the opportunity into an idea.

Opportunities do not come suddenly. The entrepreneur must show alertness to grab opportunities when they come. The opportunities must be carefully scrutinized and evaluated.

The process of identifying opportunity involves identifying the needs and wants of the customers, scanning the environment, understanding the competitor's policy etc.

4. Detailed investigation of an idea:
The entrepreneur than undergoes detailed investigation of an idea. He analyse the idea to find out the feasibility whether the project is profitable of not. An entrepreneur must show the initiative to develop the idea and implement it in practical sense.

5. Undertakes various researches:
After the selection of a worthy idea, an entrepreneur undertakes various researches relating to

a**. Market selection**

b. Competition

c. Location

d. Machinery and equipment's

e. Capital

f. Customer preferences etc.

6. Designing a business plan:
At this step an entrepreneur prepares a good business plan, the designs and creates the organisational structure for implementation of his plan. This plan is further used to achieve the realistic goals.

7. Resource Rising:
The entrepreneur has to proceed further for raising the resources like men, money, machine, material to commence the venture. Huge capital is required to install the sophisticated machinery and employ skilled man power.

A critical step in the creation of a new venture is raising the capital. An entrepreneur has to take certain steps and follow specified procedures to obtain Institutional finance.

A number of financial agencies like Banks/SFCs provide loans with certain applicable terms and conditions.

8. Setting up the Enterprise:
At this step the entrepreneur fulfill some legal formalities. He hunts for suitable location, design the premises and install machinery. All the statutory formalities are to be met.

i. Acquiring license.

ii. Permission from local authorities.

iii. Approvals from banks and financial institution.

iv. Registration etc.

9. Managing a business enterprise:
Once the project is set up, the entrepreneur must try to achieve the target of a business plan. This involves setting up of an appropriate business process. Only proper management can ensure achievement of goals.

The entrepreneur must be capable of turning his ideas into reality. He should also have the foresight to anticipate changes to avail of opportunities and meeting threats likely to arise in the near future.

Problems in setting up new enterprise:

- **Selling products at very low prices:** Many times, new starts up ventures sell their products at very low prices in order to increase their sale volume. Though cutting down the prices it is not the right method to acquire the market and even if there is an increase in the sales volume then also profits generated would not been enough to cover up the cost of production and other expenses.

- **Lack of legal knowledge:**

The entrepreneur should have adequate legal knowledge to handle legal affairs efficiently. Lack of legal knowledge on the part of entrepreneurs may affect smooth conduct of business. He should have knowledge regarding Factories Act, Wages & Salaries Act, and Workers Compensation Act etc.-

- **Lack of experience:**

An entrepreneur should have enough experience to manage the business efficiently. Lack of adequate experience may create major problems and adversely affect the experience.

The major hurdles that the new entrepreneurs face are the availability of resources to carry out such a business. The most important is the allocation of funds that comes in the form of money to research and development.

- **Lack of finance:**

Finance is the life blood of every business. To start up a new venture requires adequate capital. It is required to meet business expenses like purchase of raw material, payment of wages and salaries; payment of interest on loans etc. Lack of finance can create hurdles in setting up of a business unit.

- **Lack of technology*:***

Technology is never constant, it keeps on changing. Sophisticated technology helps in increasing the production capacity and quality of the products. Lack of suitable technology can hamper the reputation of the firm. Adoption of suitable technology can prove beneficial to the business success and vice versa.

- ***Problem of human resource:***

Organisation is made up of people and people make an organisation. A firm requires skilled, qualified and talented employees. Lack of competent staff is another major issue for a business unit.

- ***Problem of data:***

Entrepreneurship is based on research work. The Entrepreneur need to conduct a survey for gathering information regarding market condition, competition, technology, consumer etc. the data collected may not be accurate and precise. At times it is incorrect and outdated. This hampers the survival of a business.

- **Problem of marketing:**

The Entrepreneur should have marketing knowledge. This helps to face cut-throat competition in all sectors. Lack of marketing efforts and knowledge with respect to product, pricing, distribution and promotion hampers the Entrepreneurial growth.

Identification of opportunities:

An entrepreneurial opportunity can be identified every time when there is a challenge , want, need or problem that can be dealt with, resolved or fulfilled in a creative manner. This situations in which new things like goods, services, production methods , raw materials etc., can be introduced and sold at prices more than their actual costs are termed as entrepreneurial opportunities.

Business Opportunity Identification Process

It is pertinent to know how entrepreneurs identify and decide a new business opportunity with the best chance to succeed. The most important part of all business attempts common to most successful start-ups is answering an unmet need in the market. Customers are always interested in products that add value. They buy products needed only to satisfy some problems. In actual fact, there is no substitute for indulging the unmet needs of customers.

Most entrepreneurs searching for new business ideas fundamentally consider three central issues. The main one is the potential economic value. He first considers if the venture has the capacity to generate profit. The second is the newness of such a venture. He /She will prefer products, services or technology that does not previously exist in that environment. The third is the perceived desirability whether their product has the moral or legal acceptability in that environment. He then considers if:

- His final business decision idea corrects a deficiency in the market.
- The resources and capability to carry out this business idea are available to him/her.
- The market for it are readily available and at profit sales.
- The new business idea can compete favourably with existing related competitors and their market.
- This business market is growing or not and how one should prepare to join that business.

Characteristics of entrepreneurial opportunities:

- Market oriented
- Profit oriented

- Specific
- Motivational
- Legal
- Ethical
- Convertible to product

Steps in opportunity identification:

a. Preparation

Preparation stage is that knowledge and experience exercised just before the opportunity discovery process. These knowledge and experience are not often deliberately acquired. However, preparation itself is usually a deliberate attempt to widen capability in an area and become sensitive to concerns in a field of interest. In an organized situation, the background of the business, the products or services or the technological knowledge must have majorly informed the main ideas of the successful venture. One cannot however, rule out the role of new ideas and expertise originating from individuals in the organization that will eventually result in a new business.

b. Incubation

Incubation stage is the part of the opportunity identification process that involves the consideration of a concept or a specific problem ordinarily not subjected to conscious or formal analysis by a businessman or his team. It is usually not consciously done and therefore more often than not, an instinctive and unempirical approach for the consideration of several potential alternatives.

c. Insight

Insight stage occurs at the moment a fundamental solution suddenly becomes recognized unexpectedly. It is a particular moment that keeps occurring persistently right through the process of opportunity identification. Insights have been found to be extensive channels to the discovery of start-up businesses and sometimes reveal additional knowledge for the development of a current process of discovery. In respect of a business venture, insight predictably encompasses the abrupt recognition of an opportunity in business, the answer to an adequately pondered crisis and the possession of a concept from social networks and associates.

d. Evaluation.

Evaluation stage is about investigating if the recognized and developed ideas are feasible, if the businessman has the required abilities to realize the ideas and if the idea is sufficiently innovative for prospects. It sometime involves full feasibility analysis of the ideas through all forms of research instruments and criticisms from relevant business acquaintances. It is fundamental to also investigate the prospect and viability of the new insight ideas as the spirit of entrepreneurship is to make satisfactory and sensible profits.

e. Elaboration.

Elaboration is that stage that exposes the opportunity/ideas to external analysis with the tedious and time–consuming options selection, choice decision and organization of resources. It is customarily in search of all legalities that could buid confidence and guarantee the practicability of the business. Elaboration also reduces uncertainties by providing the detailed planning activities after the evaluation viability confirmation. This will eventually reveal the concept areas that still need further analysis and attention.

Environmental Analysis

Environmental analysis is a strategic tool. It is a process to identify all the external and internal elements, which can affect the organization's performance. The analysis entails assessing the level of threat or opportunity the factors might present. These evaluations are later translated into the decision-making process. The analysis helps align strategies with the firm's environment.

Our market is facing changes every day. Many new things develop over time and the whole scenario can alter in only a few seconds. There are some factors that are beyond your control. But, you can control a lot of these things.

Process of Environmental Analysis:

1**. Identifying Environmental Factors:** First of all, the factors which influence the business entity are to be identified, to improve its position in the market. The identification is performed at various levels, i.e. company level, market level, national level and global level.

2. **Scanning and Selecting Relevant and key factors:** Scanning implies the process of critically examining the factors that highly influence the business, as all the factors identified in the previous step effects the entity with the same intensity.

3. Defining variables for Analysis: In this step, a careful analysis of all the environmental factors is made to determine their effect on different business levels and on the business as a whole. Different tools available for the analysis include benchmarking, Delphi technique and scenario building.

4. Using different Methods, Techniques, and Tools: Some of the methods are Scenario Building, Benchmarking, and Network Methods. Some of the techniques are Brainstorming, survey, Historical enquiry. Some of the analytical tools are Mean, Median, Mode, Frequency.

5. Forecasting Environmental Factors: After identification, examination and analysis, lastly the impact of the variables is to be forecasted.

6. Designing Profiles: Internal areas are recorded in Strategic Advantages Profile (SAP), and External areas are recorded in Environmental Threat and Opportunity Profile (ETOP). These two Profiles are designed & combined in to one.

7. Strategic Position and Reporting Writing: After analysis of business environment a strategist knows the actual situation and can make some future forecasting based on the Environmental Analysis.

Techniques of Environmental Analysis:

SWOT Analyses: Strength & weakness are determine by internal analysis whereas opportunities & threats are determine by external analysis.

- Strength: After analysis of the internal environment of a company, we will be able to identify the strengths that give the company a competitive advantage. The entrepreneur can use this information to maximise these strengths and earn more profits.
- Weakness: Study of the internal environment also point out the weaknesses of the company. For the growth and stability of the company, these identified weaknesses must be corrected without delay.
- Opportunity: Analysis of the external environment helps with the identification of possible opportunities. The entrepreneur can prepare to capitalize on these.
- Threats: Analysis of the external environment will also help in the identification of any business threats from competitors or any other factors. The company can come up with a strategy to diffuse such threats or minimize its impact.

ETOP Analyses: ETOP stands for Environmental threat & opportunity profile. It is a technique to structure the environment for fundamental business analysis. The preparation of ETOP involves in dividing the environment into different sector and then analyze the impact of each sector on the organization. A comprehensive ETOP requires sub dividing each environmental sector into sub sectors and then he impact of each sector is described in the form of a statement.

Importance of ETOP:

1. Provide clear picture to the strategist about the sectors & factors in these sectors which may have favorable impact on the organization.

2. It help an organization in formulating an appropriate strategy to take advantage of opportunity & threats to the business.

3. Spying: To try secretly to get information about a organization.

4. Ratio analysis

5. Interpolation & Extrapolation: To estimate values of data or a function between two known values. To make an estimate about something from known facts.

QUEST: Quick Environmental Scanning Technique as proposed by B Nanus. It is a scanning procedure designed to assist executives and planners to keep changes things that are next to each other in a line.

It is a technique that facilitates estimation of wide-ranging environmental factors and assesses their influences on the organization. It tries to scrutinise the environmental forces on the basis of events and trends occurring in the market.

Process of Quest:

1. Preparation

2. Environmental Scanning Workshop

3. Intermediate Analysis & Report

4. Strategic options workshop & follow-up

PEST: PEST stands for "political, economic, social & technological" and describes a framework of macro- environmental factors used in the environmental scanning component of strategic management. The level of importance given to these factors varies as per the industry in which a company works and the goods/ services it deals in.

Political factors

The political factors take the country's current political situation. It also reads the global political condition's effect on the country and business. When conducting this step, ask questions like "What kind of government leadership is impacting decisions of the firm?"

Firms can use these factors for their benefit

- Government policies
- Taxes laws and tariff
- Stability of government
- Entry mode regulations

Economic factors

Economic factors involve all the determinants of the economy and its state. These are factors that can conclude the direction in which the economy might move. So, businesses analyze this factor based on the environment. It helps to set up strategies in line with changes.

Firms can use these factors for their benefit

- The inflation rate
- The interest rate
- Disposable income of buyers
- Credit accessibility
- Unemployment rates
- The monetary or fiscal policies
- The foreign exchange rate

Social factors

Countries vary from each other. Every country has a distinctive mindset. These attitudes have an impact on the businesses. The social factors might ultimately affect the sales of products and services.

Firms can use these factors for their benefit:

- The cultural implications
- The gender and connected demographics
- The social lifestyles
- The domestic structures
- Educational levels
- Distribution of Wealth

Technological factors

Technology is advancing continuously. The advancement is greatly influencing businesses. Performing environmental analysis on these factors will help you stay up to date with the changes. Technology alters every minute. This is why companies must stay connected all the time. Firms should integrate when needed. Technological factors will help you know how the consumers react to various trends.

Firms can use these factors for their benefit:

- New discoveries
- Rate of technological obsolescence
- Rate of technological advances
- Innovative technological platforms

Converting business opportunities into reality:

Converting opportunities into reality or opportunities exploitation refers to activities conducted in order to gain economic returns from the discovery of a potential entrepreneurial opportunity. It involves the decision to act upon a perceived opportunity and the associated behaviours aimed at realising the value of opportunity.

During opportunity exploitation people acquire and organize requisite resources and competencies to develop a product or service and take it to an existing or new market. Not all opportunities being perceived are acted upon . The marshalling of resources is associated with cost and outcomes of an attempt to exploit a perceived entrepreneurial opportunity are uncertain.

Therefore deciding on whether or not to exploit an opportunity involves weighing the potential value of the opportunity against the costs of exploiting it, and comparing this to the outcomes of other possible courses of action.

The different stages from which a business enterprise has to undergo during its development phase are stated below:

- Product selection
- Location
- Project feasibility study
- Preparation of business plan
- Preparation of a project profile
- Decide the constitution
- Registration of business units
- Clearances from specific departments
- Machinery and equipment selection
- Arrange for infrastructure

Environmental Pollution Act or Environmental (Protection) Act, 1986

The Environment (Protection) Act was enacted in the year 1986. It was enacted with the main objective to provide the protection and improvement of environment and for matters connected therewith. The Act is one of the most comprehensive legislations with a pretext to protection and improvement of the environment.

The Constitution of India also provides for the protection of the environment. Article 48A of the Constitution specifies that the State shall endeavour to protect and improve the environment and to safeguard the forests and wildlife of the country. Article 51 A further provides that every citizen shall protect the environment.

Objectives:

- To protect and improve the environmental quality
- To establish an authority to study, plan and implement long-term requirements of the environmental safety
- To give directions and to coordinate system of adequate response to emergency situations threatening the environment
- To create an authority with the purpose of environmental protection, regulation of discharge of pollutants and handling harmful substances
- To coordinate the activities of various regulating agencies
- To cover all the problems relating to environment comprehensively

Major environmental pollution clearances:

- Environmental pollution control: Before initiating any construction activity, entrepreneurs are required to obtain No objection Certificate from State Pollution Control Board.
- Industries requiring water and affecting effluent disposal: Issue of NOC certificate from State Pollution Control Board is essential before the commencement of any construction activity for industries requiring water and effluent disposal.
- For units functioning outside the industrial area: Business units that are functioning outside the industrial region require permission from the municipal corporation/ municipality / panchayat.
- Registration and licensing of a boiler: Safety clearance from the Chief Inspector of Boilers and Chief Electrical Inspector are required before initiating any operation with pressure and electrical vessels.
- For registration as a 100 per cent export-oriented unit : Entrepreneurs are required to obtain clearance from Development Commissioner of Export Processing Zone to be recognized as 100 per cent export-oriented unit so that various incentives can be gained SEBI will provide the clearance if the company is willing to issue equity shares to the public.

Industrial Policy

The role played by the government in the process of developing industries are defined as a set of statements known as Industrial policy. The policy also defines the role played by different large and small scale industries and the level of public and private intervention.

The set of objectives for industrial development along with the steps for achieving these objectives is Industrial policy. Therefore Industrial policy mainly defines the roles and activities of the different public and private sectors.

Objectives of Industrial Policy:

Industrial policy is meant for the growth and development of the industries and in the process of achieving these, all the other activities are defined by the Industrial policy. The growth pattern of the industrial activity is also monitored by Industrial policy by framing certain rules and procedures. Modifications and changes can be made to the policy as per the changes in the environment and situations.

The important objectives of the industrial policy are as follows -

Rapid Industrial Development

One of the main objectives of the industrial policy is to increase the industrial development and on those lines, the Industrial policy of the Indian government concentrates on increasing the industrial development. Different means are being identified for making the investment environment favourable for the private sector and resources are being mobilized to make investments in the public sector. Thus leads to rapid increase in the development of the industries.

Balanced industrial Structure

The present industrial structure seems to be very downgraded and in line of this, the industrial policy is designed to rectify and modify the structure. For instance, before independence India was rich in consumer product industries but there was no development observed in capital goods industries and heavy industries.

In this context, the industrial policy was drafted in a such a manner that it maintains balance in the industrial structure and this is done by concentrating more of heavy industries and capital goods sector. Several methods are being identified by the industrial policy for maintaining the balance in the industrial structure.

Prevention of Concentration of Economic Power

For different public and private sectors, different rules, regulations, activities and responsibilities are being drafted by the industrial policy. By this, industrial policy tries to eradicate the symptoms of dominance of a particular sector and thus prevent the focus of the economic power within the hands of a few.

Balanced Regional Growth

The regional differences if any in the industrial development are corrected by the industrial policy. For instance, in India, some of the regions are industrially developed like Gujarat and

Maharashtra, while some of the regions are industrially backward like Bihar and Orissa. In these situations, industrial policy comes into picture and tries to maintain balance in all the regions with respect to industrial development by amending some programs and policies which attract starting industries in the weak areas.

After independence, in 1948, the first industrial policy was formed by the Indian government and then modifications were made in the year 1956. Till 1991 the policy was mostly dominated by the public sector enterprises. Later in 1991, many changes and amendments were being made by expanding the outline of the policy to much broader.

Industrial Policy Resolutions:

I. Industrial Policy of 1948

The first industrial policy after independence was announced on 6th April 1948. It was presented by Dr. Shyama Prasad Mukherjee then Industry Minister. The main goal of this policy was to accelerate the industrial development by introducing a mixed economy where the private and public sector was accepted as important in the development of the economy. It saw the Indian economy in socialistic patterns. The large industries were classified into four categories:

- Industries with exclusive State Monopoly/Strategic industries
- Industries with Government control
- Industries with Mixed sector
- Industry in the Private sector

II. Industrial Policy Resolution, 1956

This second industrial policy was announced on April 20, 1956, which replaced the policy of 1948. The features of this policy were:

- A new classification of Industries.
- Non-discriminatory and fair treatment for the private sector. Promotion of village and small-scale industries.
- To achieve development by removing regional disparity.
- Labour welfare.

The IRDA divided industries into three categories:

- **Schedule A industries:** The industries that were under the monopoly of the state or government. It included 7 industries. The private sector was also introduced in these industries if national interest required.

- **Schedule B industries:** In this category of industries, the state was allowed to establish new units but the private sector was not denied to set up or expand existing units e.g. chemical industries, fertilizer, synthetic, rubber, aluminum, etc.
- **Schedule C industries:** So the industries that were not a part of the above-mentioned industries then it formed a part of Schedule C industries.

III. Indian Policy Statement, 1973

Indian Policy Statement of 1973 identified high priority industries with investment from large industrial houses and foreign companies were permitted. Large industries were permitted to start operations in rural and backward areas with a view to developing those areas and enabling the growth of small industries around. And so the basic features of Indian Policy Statement were:

- The policy was directed towards removing the distortions, it provided for closer interaction between agriculture and industrial sector.
- Priority was given towards generation and transmission of power.
- The list of industries reserved for the small-scale sector was expanded.
- Special legislation was made to protect cottage and household industries were introduced.

III. Indian Policy Statement 1977

Indian Policy Statement was announced by George Fernandes then the union industry minister of the parliament. The highlights of this policy are:

A] Target on the development of small-scale and cottage industries.

- Household and cottage industries for self-employment.
- Tiny sector investment up to 1 lakhs.
- Small scale industries for investment up to 1-15 lakhs.

B] Large-scale sector

- *Basic industries:* infrastructure and development of small-scale and village industries.
- *Capital goods industries:* meeting the requirement of cottage industries.
- *High technological industries:* development of agriculture and smallscale industries such as petrochemicals, fertilizers and pesticides.

C] Restrict the control of big business houses.

D] Role of the public sector:

- Development of ancillary industries.

- To make available expertise in technology and management in small and cottage industries.

E] Revival and rehabilitation of sick units.

V. Industrial Policy, 1980

The Congress government announced this policy on July 23rd, 1980. The features of this policy are:

- Promotion of balanced growth.
- Extension and simplification of automatic expansion.
- Taking over industrial sick units.
- Regulation and control of unauthorized excess production capabilities installed for industrial houses.
- Redefining the role of small-scale units.
- Improving the performance of the public sector.

VI. New Industrial Policy, 1991

The features of NIP, 1991 are as follows:

- Public sector de-reservation and privatization of the public sector through disinvestment.
- Industrial licensing.
- Amendments to Monopolies and Restrictive Trade Practices (MRTP) Act, 1969.
- Liberalized Foreign Investment Policy.
- Foreign Technology Agreements (FTA).
- Dilution of protection to SSI and emphasis on competitiveness enhancement.

Financial management in small business:

Financial Management

Financial management may be defined as planning, organizing, directing and controlling the financial activities of an organization. According to Guthman and Dougal, financial management means, “the activity concerned with the planning, raising, controlling and administering of funds used in the business.” It is concerned with the procurement and utilization of funds in the proper manner.

Objectives of Financial Management:

(a) To ensure availability of sufficient funds at reasonable cost (liquidity).

(b) To ensure effective utilisation of funds (financial control).

(c) To ensure safety of funds by creating reserves, re-investing profits, etc. (minimisation of risk).

(d) To ensure adequate return on investment (profitability).

(e) To generate and build-up surplus for expansion and growth (growth).

(f) To minimise cost of capital by developing a sound and economical combination of corporate securities (economy).

(g) To coordinate the activities of the finance department with the activities of other departments of the firm (cooperation).

Accounting:

Accounting is a process of identifying the events of financial nature, recording them in the journal, classifying in their respective accounts and summarising them in profit and loss account and balance sheet and communicating results to users of such information, viz. owner, government, creditor, investors, etc.

According to American Institute of Certified Accountants, 1941, "Accounting is the art of recording, classifying and summarising in a significant manner and in terms of money, transactions and events that are, in part at least, of financial character and interpreting the results thereof."

In 1970, American Institute of Certified Public Accountants changed the definition and stated, "The function of accounting is to provide quantitative information, primarily financial in nature, about economic entities, that is intended to be useful in making economic decisions."

Objectives of Accounting:

1. Recording business transactions systematically: It is necessary to maintain systematic records of every business transaction, as it is beyond human capacities to remember such large number of transactions. Skipping the record of any one of the transactions may lead to erroneous and faulty results.

2. Determining profit earned or loss incurred: In order to determine the net result at the end of an accounting period, we need to calculate profit or loss. For this purpose trading and profit and loss account are prepared. It gives information regarding how much of goods have been purchased and sold, expenses incurred and amount earned during a year.

3. Ascertaining financial position of the firm: Ascertaining profit earned or loss incurred is not enough; proprietor also interested in knowing the financial position of his/her firm, i.e. the value of the assets, amount of liabilities owed, net increase or decrease in his/her capital. This purpose is served by preparing the balance sheet that facilitates in ascertaining the true financial position of the business.

4. Assisting management: Systematic accounting helps the management in effective decision making, efficient control on cash management policies, preparing budget and forecasting, etc.

5. Assessing the progress of the business: Accounting helps in assessing the progress of business from year to year, as accounting facilitates the comparison both inter-firm as well as intra-firm.

6. Detecting and preventing frauds and errors: It is necessary to detect and prevent fraud and errors, mismanagement and wastage of the finance. Systematic recording helps in the easy detection and rectification of frauds, errors and inefficiencies, if any.

7. Communicating accounting information to various users:The important step in the accounting process is to communicate financial and accounting information to various users including both internal and external users like owners, management, government, labour, tax authorities, etc. This assists the users to understand and interpret the accounting data in a meaningful and appropriate manner without any ambiguity.

Importance of Accounting

• To keep systematic records

• To protect business properties

• To ascertain the operational profit or loss

• To ascertain the financial position of business

WORKING CAPITAL

Working capital is the capital used for running day-to-day operations of a business. Commonly the gap between the current assets and current liabilities is called the working capital. Current assets include cash and bank balance, accounts receivable, inventory or any other assets which can be liquidated within a period of one year. Similarly, current liabilities are liabilities that are due for payment within a period of one year.

There are two concepts of working capital:

GROSS WORKING CAPITAL (GWC)

It refers to the Current Assets (CA) available with the business. It is called GWC because the contribution of Current Liabilities (CL) in reducing the overall working capital need is not considered here.

NET WORKING CAPITAL (NWC)

When gross working capital is reduced by the amount of current liabilities available with the business, it is called net working capital. This is the most common definition represented by

NWC = CA – CL

Components or Composition of Working Capital:

There are two components of working capital viz., current assets and current liabilities.

Current Assets:
Current assets generally mean those assets which, in the normal and ordinary course of business, will be or are likely to be converted into cash within a year.

Examples of current assets are:
Inventories like raw materials, work-in-progress, stores and spare parts, finished goods, Sundry Debtors (net of provision), Short-term investment or marketable securities, Short-term loans and advances, Bills receivable or accounts receivable, Pre-paid expenses, Accrued Income, Cash in hand and bank balances.

Current Liabilities:
Current liabilities means those liabilities repayable within the same period, i.e., a year. In other words, current liabilities are those which are to be repaid in the ordinary course of the business within a year.

Examples of current liabilities are:
Sundry creditors, Bills payable, Outstanding expenses, Short-term loans, advances and deposits, Provision for tax, Proposed dividend, Bank overdraft.

Objectives of Working Capital:

1. The management wants maximum productivity and profits in the employment of capital. This is possible by striving to maintain a correct ratio between working capital and fixed capital.

2. The management has another objective and that is to maintain a smooth and rapid flow of funds in order to enhance the efficiency of working capital or profitability of the firm.

3. If cash receipts and cash outlay synchronize, there is no need to maintain a cash reserve. In business; it would be a miracle to have perfect coincidence and co-ordination between receipts and payments. Hence, firms must have sufficient cash reserve to meet all normal as well as abnormal cash needs.

Importance of Working Capital:

1. Smooth Flow of Production:
To maintain a smooth flow of production, it is necessary that adequate working capital is available for paying trade suppliers, hiring labour and incurring other operating expenses.

2. Increase in Liquidity and Solvency Position:
It enhances the liquidity and solvency position of the business concern.

3. Goodwill:
A firm with sound working capital position can make timely payment of its outstanding bills. This enhances the reputation of the firm.

4. Advantages of Cash Discount:
It enables the firm to avail itself of the facilities like cash discount by making prompt payments.

5. Easy Loan:
Adequate amount of working capital builds a sound credit-worthiness of the firm. As a result it becomes easier for the firm to obtain additional loans in favourable terms and conditions in order to meet seasonal increase in demand or to finance the increased working capital resulting from expansion.

6. Regular Payment of Wages and Salaries:
The firm can make regular and timely payment of wages and salaries to its employees. This increases the morale and efficiency of employees.

7. Security and Confidence:
It creates a sense of security and confidence in the mind of management or officials of the firm.

8. Efficient Use of Fixed Assets:
Adequate amount of working capital enables the firm to use its fixed assets more efficiently and extensively. If the fixed assets remain idle due to paucity of working capital, depreciation of fixed assets and interest on borrowed capital invested in fixed assets will have to be incurred unnecessarily.

9. Meeting of Contingencies:
It can meet unforeseen contingencies of the firm. Unforeseen contingencies like business depression, financial crisis due to huge losses etc. can easily be overcome, if adequate working capital is maintained by a firm.

10. Completing operating cycle:
A sound management of working capital helps in completing the operating cycle quickly. This enables a firm to increase its profitability.

11. Timely Payment of Dividend:
Adequate working capital ensures regular payment of dividends to the shareholders.

Marketing Management in Small Business:

Marketing management facilitates the activities and functions which are involved in the distribution of goods and services.

Marketing management signifies an important functional area of business management responsible for the flow of goods and services from the producers to the consumers. It is accountable for planning, organizing, directing, coordinating, motivating and controlling the marketing activities. In effect, it is the demand management under customer oriented marketing philosophy.

Marketing management is the management of the crucial and creative task of delivering consumer satisfaction and thereby earning profits through consumer demand. It is the performance of managerial functions of planning, execution, coordination and control in relation to the marketing functions of marketing research, product-planning and development, pricing, advertising, selling and distribution with a view to satisfy the needs of consumer, business and society.

The above expressions bring home very clearly the very substance of marketing management as a matter of planning, implementing and controlling the marketing programmes. Marketing management is the marketing concept in action.

Growth is the primary goal of entrepreneurship, and marketing is the primary means for growth.

Entrepreneurial marketing is less about a single marketing strategy and more about a marketing spirit that differentiates itself from traditional marketing practices.

Entrepreneur uses that marketing strategies as long as they produce results.

Start-ups and emerging companies use entrepreneurial marketing to help establish themselves in emerging industries.

It avoids many of the fundamental principles of marketing because they are typically designed for large, well established firms.

Entrepreneurial marketing utilizes a toolkit of new and unorthodox marketing practices to help emerging firms gain a foothold in crowded markets.

Objectives of Marketing Management:

1. Creation of Demand:
The marketing management's first objective is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers. Goods and services are produced to satisfy the needs of the customers. Demand is also created by informing the customers the utility of various goods and services.

2. Customer Satisfaction:
The marketing manager must study the demands of customers before offering them any goods or services. Selling the goods or services is not that important as the satisfaction of the customers' needs. Modern marketing is customer- oriented. It begins and ends with the customer.

3. Market Share:
Every business aims at increasing its market share, i.e., the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative advertising, innovative packaging, sales promotion activities, etc.

4. Generation of Profits:
The marketing department is the only department which generates revenue for the business. Sufficient profits must be earned as a result of sale of want-satisfying products. If the firm is not earning profits, it will not be able to survive in the market. Moreover, profits are also needed for the growth and diversification of the firm.

5. Creation of Goodwill and Public Image:
To build up the public image of a firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

The marketing manager attempts to raise the goodwill of the business by initiating image-building activities such a sales promotion, publicity and advertisement, high quality, reasonable price, convenient distribution outlets, etc.

Marketing strategies for small business:

The marketing strategies summarise the strategies to attain the marketing objectives of the organization. Under this, the product manager determines the mission, goals and marketing as well as financial objectives.

The target market, its customers and their requirements which are to be fulfilled are also determined by the manager. Therefore, the manager creates competitive positioning of product line, which determines the strategy to attain the goals of a marketing plan.

A good strategy implies that a small business cannot be all things to all people and must analyze its market and its own capabilities so as to focus on a target market it can serve best.

Target Marketing Strategy (STP Strategy)

The awareness about the product amongst the consumers is the basic requirement of marketing. It is the responsibility of the marketer to effectively communicate with customers to inform them about the products and services being offered by the company.

Since, requirements and demands vary from individual to individual; marketing planning cannot afford to be a clean sweep. The marketing planning has to have such campaigns made so that USPs (Unique Selling Prepositions) is logically and clearly communicated to the customers.

A single product cannot satisfy all customers due to the varying needs and requirements, it is essential to make different segments of consumers as per the consumer needs and plan for each segment separately. This process in marketing is called **“Target Marketing”** which is also termed as STP (**Segmentation, Targeting and Positioning**).

After segmenting the market, the marketers have to select the segments to create their target market, which is known as targeting a target market. This makes the consumer aware of the product. The products are placed into the minds of the consumer, which is called positioning of the product. The entire process of segmenting, targeting and positioning is referred as market selection. These three activities in the target marketing of market selection are as follows:

- **Identifying market segments** (**Market Segmentation**) : The first and foremost action taken in target marketing is to locate the target markers which have not been served yet. The unsatisfied needs of such markets become the basis of segmentation. following three phases are involved in segmentation:

i. Analysing the pattern of demand
ii. Determining the segmentation bases
iii. Identifying the available market segments

- **Selecting Target Market (Market Targeting):** After dividing the market into homogenous segments, the marketers aim at identifying segments for which they develop their products. This involves:

  i. Analysing the segments to determine their attractiveness
  ii. Selecting the potential segments

- **Developing Market positions (Market positioning):** Each selected segments differs from the other one on the basis of different type of customers and their expectations about the product. Thus, positioning includes

  i. Identifying possible positioning concepts for each target segments
  ii. Developing marketing mix for each target segment.

Marketing Mix:

The **marketing mix** refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Product, Price, Place and Promotion. However, nowadays, the marketing mix increasingly includes several other Ps like people, process and physical evidence.

Product: It refers to the item actually being sold. The product must deliver a minimum level of performance; otherwise even the best work on the other elements of the marketing mix won't do any good.

Price: It refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply - demand and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied in with an overall business plan. Pricing can also be used a demarcation, to differentiate and enhance the image of a product.

Place: It refers to the point of sale. In every industry, catching the eye of the consumer and making it easy for her to buy it is the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the mantra of a successful retail business is 'location, location, location'.

Promotion: This refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.

Extended Ps of Marketing Mix:

- **People:** In marketing mix, people are the first additional element. People refers to the employees providing service delivery and also play the role of end users or final consumers. Many times, consumers are the key component of the service delivery process.

- **Process:** It is an important marketing function and part of value chain in comparison with other functions. These marketer develops only those processes which add value to the services delivered having no cost associated issues and are beneficial for both customers and service organization

- **Physical Evidence:** Physical Evidence of marketing mix can be different types and appearances. The evidence of physical aspects comprise of service delivery location like the aesthetics, design and functionality of the particular place. The company portrays all the physical attributes of a place to the consumer. These attributes involve the exteriors , all tangible things such as furniture, vehicles , machinery, service personnel, signboards receipts etc.

Importance of the marketing mix:

All the elements of the marketing mix influence each other. They make up the business plan for a company and handled right, can give it great success. But handled wrong and the business could take years to recover. The marketing mix needs a lot of understanding, market research and consultation with several people, from users to trade to manufacturing and several others.

Different marketing strategies for entrepreneurs

- **Relationship Marketing**

Relationship marketing is a facet of customer relationship management (CRM) that focuses on customer loyalty and long-term customer engagement rather than shorter-term goals like customer acquisition and individual sales. The goal of relationship marketing (or customer relationship marketing) is to create strong, even emotional, customer connections to a brand that can lead to ongoing business, free word-of-mouth promotion and information from customers that can generate leads.

It focuses on creating a strong link between the brand and the customer.

- **Expeditionary Marketing**

Expeditionary marketing identifies new opportunities and minimizes the risk of new corporate strategies. It tries to give companies an advantage by helping them move into new markets before their competitors do. Expeditionary marketing is less about designing advertising messages and more about the research and planning necessary to develop new products and markets. Since it is such an aggressive strategy, it involves a high-level of boldness and out of the box thinking. Many traditional marketing theories go out the window when a company tries to fundamentally change what it does.

It involves creating markets and developing innovative products. Companies act as leaders rather than followers.

- **One to One Marketing**
  It is a customer relationship management (CRM) strategy emphasizing personalized interactions with customers. The personalization of interactions is thought to foster greater customer loyalty and better return on **marketing** investment.
  Here Customers are marketed to as individuals. All marketing efforts are personalized.
- **Real Time Marketing**

  Real-time marketing involved using data reported instantaneously so marketers can make decisions based on information on what's happening in that moment. Instead of creating a marketing plan in advance and executing it according to a fixed schedule, real time marketing is creating a strategy focused on current, relevant trends and immediate feedback from customers.

  The goal of real time marketing is to connect consumers with the product or service that they need now, in the moment.

- **Viral Marketing**

  Viral marketing is a business strategy that uses existing social networks to promote a product. Its name refers to how consumers spread information about a product with other people in their social networks, much in the same way that a virus spreads from one person to another.

- **Digital Marketing**
  Digital marketing is the component of marketing that utilizes internet and online based digital technologies such as desktop computers, mobile phones, email and other digital media and platforms to promote products and services.

Human Resource Management in small business:

In simple words, HRM is a process of making the efficient and effective use of human resources so that the set goals are achieved.

According to Flippo "Personnel management, or say, human resource management is the planning, organising, directing and controlling of the procurement development compensation integration, 4intenance, and separation of human resources to the end that individual, organisational and social objectives are accomplished".

The National Institute of Personnel Management (NIPM) of India has defined human resource/personnel management as "that part of management which is concerned with people at work and with their relationship within an enterprise. Its aim is to bring together and develop into an effective organisation of the men and women who make up an enterprise and having regard for the well-being of the individuals and of working groups, to enable them to make their best contribution to its success".

Objectives:

1. To help the organisation to attain its goals effectively and efficiently by providing competent and motivated employees.

2. To utilize the available human resources effectively.

3. To increase to the fullest the employee's job satisfaction and self-actualisation.

4. To develop and maintain the quality of work life (QWL) which makes employment in the organisation a desirable personal and social situation.

5. To help maintain ethical policies and behaviour inside and outside the organisation.

6. To establish and maintain cordial relations between employees and management.

7. To reconcile individual/group goals with organisational goals.

Functions of Human Resource Management Includes:

- Managerial Functions

- Operative Functions

Managerial Function Includes:

1. Planning

One of the primary function where number & type of employees needed to accomplish organizational goals are determined. Research forms core HRM planning which also helps management to collect, analyze and identify current plus future needs within the organization.

2. Organizing

Organization of the task is another important step. Task is allocated to every member as per their skills and activities are integrated towards a common goal.

3. Directing

This includes activating employees at different levels and making them contribute maximum towards organizational goal. Tapping maximum potentialities of an employee via constant motivation and command is a prime focus.

4. Controlling

Post planning, organizing and directing, performance of an employee is checked, verified and compared with goals. If actual performance is found deviated from the plan, control measures are taken.

Operative Function Includes:

1. Recruitment/Hiring

Hiring is a process which brings pool of prospective candidates who can help organization achieve their goals and allows managements to select right candidates from the given pool.

2. Job Analysis & Design

Describing nature of the job like qualification, skill, work experience required for specific job position is another important operative task. Whereas, job design includes outlining tasks, duties and responsibilities into a single work unit to achieve certain goal.

3. Performance Appraisal

Checking and analyzing employee performance is another important function that human resource management has to perform.

4. Training & Development

This function allows employees to acquire new skills and knowledge to perform their job effectively. Training and development also prepares employees for higher level responsibilities.

5. Salary Administration

Human Resource Department also determines pays for different job types and incudes compensations, incentives, bonus, benefits etc. related with a job function.

6. Employee Welfare

This function takes care of numerous services, benefits and facilities provided to an employee for their well-being.

7. Maintenance

Minimizing employee turnover and sustaining best performing employees within the organization is the key. Minimizing ROI within HR department is also a key goal for Human resource management team.

8. Labor Relations

Labor relation is regards to the workforce who work within a trade union. Employees in such domain form a union/group to voice their decisions affectively to the higher management.

9. Personal Research

Research is a vital part of human resource management. It is performed to keep a check on employee opinion about wages, promotions, work condition, welfare activities, leadership, employee satisfaction and other key issues.

10. Personal Record

This function involves recording, maintaining and retrieving employee related information including employment history, work hours, earning history etc.

Labour Laws for small business:

Industrial legalizations are the laws enacted by the Government to provide economic and social justice to the workers in industries. Generally these laws provide guidelines to the employers/industrialists in dealing with the matters of wages, wage incentives, facilitates for workers and the working conditions of labour.

According to Mr. V.V. Giri industrial legislation is "a provision for equitable distribution of profits and benefits emerging from industry, between industrialists and workers and affording protection to the workers against harmful effects to their health safety and morality."

Objectives:

(1) Establishment of justice- Social, Political and Economic

(2) Provision of opportunities to all workers, irrespective of caste, creed, religion, beliefs, for the development of their personality.

(3) Protection of weaker section in the community.

(4) Maintenance of Industrial Peace.

(5) Creation of conditons for economic growth.

(6) Protection and improvement of labour standards.

(7) Protect workers from exploitation:

(8) Guarantee right of workmen to combine and form association or unions.

(9) Ensure right of workmen to bargain collectively for the betterment of their service conditons.

(10) Make state interfere as protector of social well being than to remain an onlooker.

(11) Ensure human rights and human dignity

Classification of labour legislation:

On the basis of specific objectives which it has sought to achieve, the labour legislations can be classified into following categories-

(1) Regulative

(2) Protective

(3) Wage-Related

(4) Social Security

(5) Welfare both inside and outside the workplace

Regulative Labour Legislations: The main objective of the regulative legislations is to regulate the relations between employees and employers and to provide for methods and manners of settling industrial disputes. Such laws also regulate the relationship between the workers and their trade unions, the rights and obligations of the organisations of employers and workers as well as their mutual relationships.

- The Trade Unions Act, 1926
- The Industrial Disputes Act,1947
- Industrial Employment (Standing Orders) Act, 1946.

The Protective Labour Legislations: Under this category come those legislations whose primary purpose is to protect labour standards and improve the working conditions. Laws laying down the minimum labour standards in the areas of hours of work, supply, employment of children and women etc. in the factories, mines, plantations, transport, shops and other establishments are included in this category.

Some of these are the following :

- Factories Act,1948
- The Mines Act,1952
- The Plantations Labour Act,1951
- The Motor Transport Workers Act,1961

Wage-Related Labour Legislations : Legislations laying down the methods and manner of wage payment as well as the minimum wages come under this category:

- The Payment of Wages Act,1936
- The Minimum Wages Act, 1948
- The Payment of Bonus Act, 1965
- The Equal Remuneration Act, 1976

Social Security Labour Legislations :They cover those legislations which intend to provide to the workmen social security benefits under certain contingencies of life and work.

- The Workmen's Compensation Act, 1923
- The Employees' State Insurance Act, 1948
- The Coal Mines PF Act, 1948.
- The Employees PF and Miscellaneous Provisions Act, 1952
- The Maternity Benefit Act, 1961
- Payment of Gratuity Act, 1972

Welfare Labour Legislations :

Legislations coming under this category aim at promoting the general welfare of the workers and improve their living conditions. Though, in a sense all labotar-laws can be said to be promoting the welfare of the workers and improving their living_ conditions and though many of the protective labour laws also contain chapters on labour welfare, the laws coming under this category have the specific aim of providing for the improvements in living conditions of workers. They also carry the term "Welfare" in their titles.

- Limestone and Dolomite Mines Labour Welfare Fund Act, 1972.
- The Mica Mines Welfare Fund Act, 1946
- The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Fund Act, 1976
- The Cine Workers Welfare Fund Act, 1981

Miscellaneous: Besides the above there are other kinds of labour laws which are very important. Some of these are :

- The Contract Labour (Regulation & Abolition) Act, 1970
- Child Labour (Prohibition and Regulation) Act 1986
-
- Building and other construction workers (Regulation of Employment and Conditions of Service) Act 1996
- Apprentices Act 1961
- Emigration Act, 1983
- Employment Exchange (Compulsory Notification of Vacancies) Act, 1959

Module-3

Start-up Ecosystem:

Start-up ecosystems are generally defined as the network of interactions among people, organizations and the environment within a start up.

Start up Ecosystem is formed by people, includes various stages and various types of organizations in a location, interacting as a system to create new startup companies.

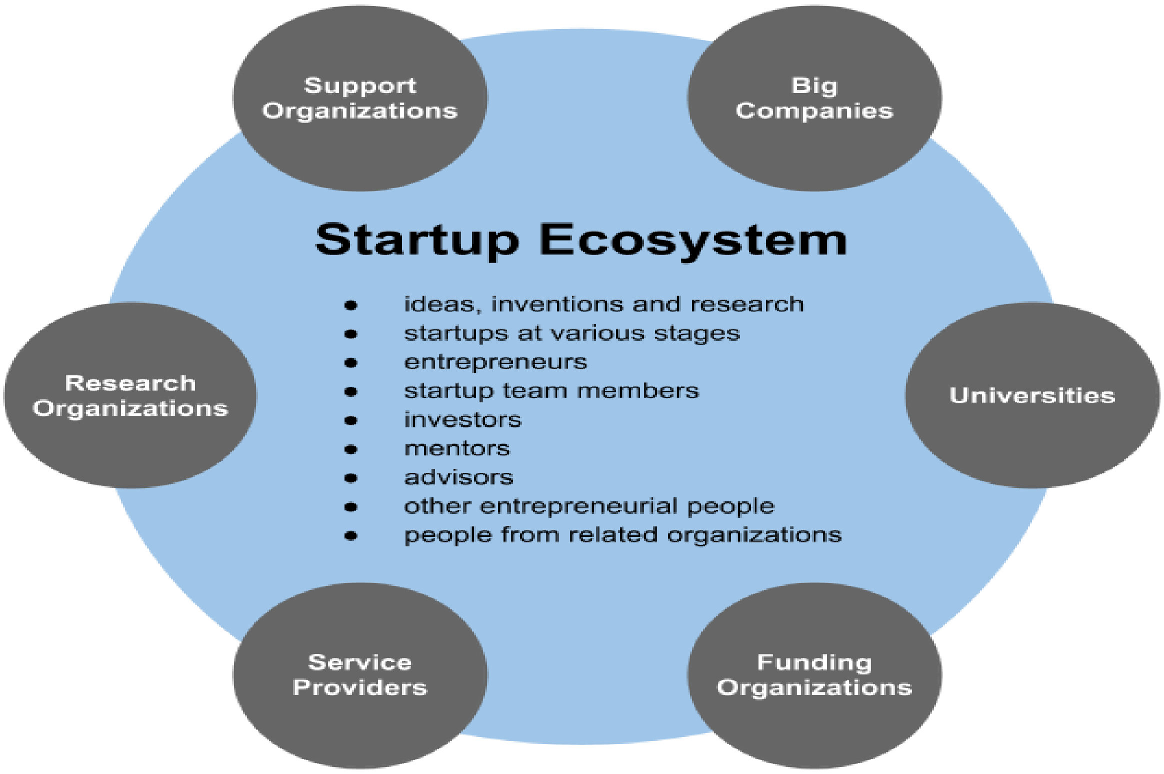
These organizations can be further divided into categories: universities, funding organizations, support organizations like incubators, research organizations, service provider organizations (like legal, financial services etc.) and large corporations.

Resources like skills, time and money are the essential components of an start-up ecosystem.

The resources that flow through ecosystems are obtained primarily from the people and organizations that are active part of those startup ecosystems.

When management is applied to the whole start-up ecosystem, rather than just single start-ups or organizations, it is termed start-up ecosystem management.

Start-up ecosystem management is driven by explicit goals, executed by policies, protocols and practices.



- **Support organization:** A start up ecosystem comprise entrepreneurs, different kinds of financial and non-financial support organizations, incubators, co-working spaces, mentoring and technical experts. It also includes the government policies and programs relevant to start-ups, academia and other organizations and firms that in different ways interact with or support start ups.
- **Big companies:** All of us known that the Indian start up ecosystem is buzzing with activity. Everyday start ups are being founded, entrepreneurs are racing to built the next big business.
- **Universities:** The talent pool is ideally created and augmented locally, at universities and other learning institutions. Better still if these institutions themselves draw in alent, to seed the ecosystem with the latest knowledge.
- **Funding organization:** Most new ventures require funding to reach profitability. While it is possible to import the necessary funding from else where, the final component of a thriving start up ecosystem is local funding, ideally recycled from the success of the previous generations of entrepreneurs, who truly understand the complexity and difficulty of creating successful start-ups.
- **Service providers:** A service providers is a company that provides organizations with consulting , legal, financial, real estate, education, communication, processing and many other services.
- **Research organizations:** With the help of research organization in recent years , the Indian start up ecosystem has really taken off and come into its own- driven by factors such as massive funding, consolidation activities, evolving technology, numerous supports of research organizations and a burgeoning domestic market.

Start-up meaning:

A start-up is a young company that is just beginning to develop. Start-ups are usually small and initially financed and operated by handful of founders or one individual.

These companies offer a product or service that is not currently being offered elsewhere in the market.

Definition:

On April 17,2015, the Ministry of Commerce and Industry released a notification to define "Start-ups' . There were many points that were consistent from the speech given by Prime Minister Narendra Modi during the unveiling of the start-up India .

According to the government notification , an entity will be identified as a start-up:---

* Till up to five years from the date on incorporation.

* If its turnover does not exceed 25 crores. in the last five financial years .

* If it is working towards innovation, development, deployment and commercialization of new products, processes or services driven by technology or intellectual property .

Start-up Development Phases

Stage I : Ideation

In this stage, the start-up founder(s) builds, sharpens, polishes their "potential scalable product or service idea" for a big enough "target market". There is no need for any team or resources at this stage of start-up. A significant amount of time goes into the market research, collecting data about primary & secondary audience. The end outcome is a very simplified 30,000 feet business plan document that defines all the key variables about your business in a nutshell. Most importantly, at the end of this stage you should know, who would pay for your product & service & why?

Stage II : Concept Development

Once you are convinced about your core start-up idea, the next stage is to find your core team of people whom you would want to be part of your journey. A lot of start-ups (especially tech start-ups where founders are programmers and core architects) want to keep their idea within the closed room till they get the venture fund. Usually it delays the project considerably as they end up doing a lot of non specialised tasks by themselves.

Stage III : Commitment

This is the stage when the founders actually start building the MVP or Minimum Viable Product for the users to test their business idea.

So what is MVP ?

A minimum viable product (MVP) is a development technique in which a new product or website is developed with sufficient features to satisfy early adopters. The final, complete set of features is only designed and developed after considering feedback from the product's initial users.

An MVP is one of the most important stages in any startup business. Not just it allows the founders to calibrate their efforts & product idea, it is the stage when you can start marketing about your product/service to prospect angel investors . The commitment stage is also critical to define the roles of the founding team & the shareholding pattern for the first 2-3 years of business.

Stage IV : Validation

'Validation' or 'proof of concept' is one of those stages of start-up business where they have to live with a great degree of vulnerability, both from inside & outside. In the validation stage, founding team has to show maximum value for all stakeholders, starting from its current customers, its employees to current angel (if any) & potential investors. In many ways, this stage decides the fate of your business idea, and hence it gives the maximum stress to the start-up owners.

On one side, the founders are struggling to find the right product strategy & brand positioning that would allow them to attract potential Series A/B venture investment, and on the other side, there is a continuous pressure to show some running profits and ensure customer delight. Incidentally, most of the start-ups lose their plot during this stage of business.

Stage V: Scaling Up

This stage usually start after you've received your Series A investment and now you are looking to scale the length & breadth of your business operations. A significant amount of time goes into hiring resources, marketing your product in the target markets to key audience, building a strong word of mouth PR, and accelerating your quarter on quarter revenues.

Stage VI: Growth

This stage is actually subject to how your business idea has performed. Once you've achieved a critical mass of customers, you enter the growth stage in which you can diversify your business through possible acquisitions of smaller companies or you can enter newer markets by raising more venture fund. Fundamentally, there is no fixed time duration to this stage as most of the start-ups want to remain in the start-up mode for a long time.

Different Stages of Financing

A start-up may require several rounds of financing before it can generate sufficient cash flow from sales to finance operations. The amounts and sources for each round vary by company and industry. The earliest funding rounds are seed and early-stage funding. Companies need these funds to support operations, such as product development, administration and marketing.

1) Seed Capital

2) Angel Investor Funding

3) Venture Capital Financing

4) Mezzanine Financing & Bridge Loans

5) IPO (Initial Public Offering)

6) Family, Friends and Founders

Seed Capital

- Seed capital is the earliest source of investment for start-up
- Sources will include Bank of F&F (friends and family), crowd funding, credit cards, or personal savings
- The purpose of the money that are raising at this stage is commonly focused on research and development for an initial product, or an MVP if you do not have one.

Angel Investor Funding

- An angel investor is a wealthy individual who provides funding for a start-up, often in exchange for an ownership stake in the company.
- In many cases, angels are the last option for start-ups that don't qualify for bank financing and may be too small to interest a venture capital (VC) firm.
- As the start-up's grow, it requires to scale or increase funding toward product development, marketing to keep up the growth momentum.
- Angel investors as a solution of all the above requirements
- Accredited angel investors are the individuals who have a net worth of at least one million dollars and an annual income of at least two hundred thousand individually or three hundred thousand jointly with a spouse.
- Angels are using their own money and should be treated as such when solicited for funding.
- They may invest individually or also pool their money with a group.
- Since the money raised at this stage can be significantly higher than in the seed round, investors will also expect a compelling and well-researched pitch.

Venture Capital Financing

- At this stage, the start-up is either profitable or could benefit from offsetting the negative cash flow with this new wave of investment while the business continues to grow.
- A venture capitalist is a person who invests in a business venture, providing capital for start-up or expansion.

- The majority of venture capital (VC) comes from professionally-managed public or private firms
- Venture Capital Financing can provide resources to scale the business to new business channels, customer segments, or to increase marketing efforts for additional customer acquisition.
- Venture capital is a type of funding for a new or growing business.
- It usually comes from venture capital firms that specialize in building high risk financial portfolios.
- With venture capital, the venture capital firm gives funding to the start-up company in exchange for equity in the start-up.
- This is most commonly found in high growth technology industries like biotech and software.
- Since VCs are investing other people's money, their job is to make a sound investment in businesses that are likely to yield a meaningful ROI for their clients.

Mezzanine Financing & Bridge Loans

- At this stage, your start-up is growing and looking to scale significantly with a commercially available product.
- Revenue should be coming in regularly even if the start-up is not yet profitable.
- The funds raised at this point will be geared toward expansion to new markets, mergers, acquisitions, or preparing for an IPO.
- Investors at this stage want to see a clear roadmap toward profit shortly.
- Mezzanine financing can cover the expenses that an IPO involves.
- With the profits made from the IPO, the mezzanine investor is paid back with interest.

IPO (Initial Public Offering)

- An initial public offering (IPO) is the first time that the stock of a private company is offered to the public. IPOs are often issued by smaller, younger companies seeking capital to expand, but they can also be done by large privately owned companies looking to become publicly traded.
- If one has raised money through each of the preceding stages, going public is an option to expand further.
- **Family, Friends and Founders**

Family, Friends, & Founders (FFF) Investment is the most common startup funding.

- Roughly half of start-up entrepreneurs get financial support from friends and family members in beginning their venture.

- According the Global Entrepreneurship Monitor (Babson & London School of Business), $50 billion to $75 billion is invested annually by friends and family in U.S. start-ups.
- This is two to three times the amount of money invested annually by angel investors or venture capitalists, which invest approximately $20 billion per year in new businesses.
- Many entrepreneurs who have a great idea but no personal funds to invest in the business will seek out a co-founder prior to approaching their friends and family.

Business Incubation

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

Business incubators are organizations that offer start-ups shared operation space. In doing so, entrepreneurs enjoy a collaborative work environment with invaluable mentoring and networking opportunities, funding support and shared equipment. In short, they offer fledgling young companies a warm, safe place to grow and prosper.

Incubators have been around for quite a while, but the concept only began to gain traction in the 1980s after an influx of higher education institutions decided to launch school-affiliated business incubators in order to offer students better employment prospects. Fast-forward a couple of decades, the sound reasoning behind the founding of those university incubators has led to the creation of thousands of new, diverse incubators across the globe.

Principles characterize effective business incubation

- The incubator aspires to have a positive impact on its community's economic health by maximizing the success of emerging companies.
- The incubator itself is a dynamic model of a sustainable, efficient business operation.
- Model business incubation programs are distinguished by a commitment to incorporate industry best practices.

Management and boards of incubators should strive to:

Commit to the two core principles of business incubation

- Obtain consensus on a mission that defines the incubator's role in the community
- Develop a strategic plan containing quantifiable objectives to achieve the program mission
- Structure for financial sustainability by developing and implementing a realistic business plan.
- Recruit and appropriately compensate management capable of achieving the mission of the incubator and having the ability to help companies grow.
- Build an effective board of directors committed to the incubator's mission and to maximizing management's role in developing successful companies.

- Prioritize management time to place the greatest emphasis on client assistance, including proactive advising and guidance that results in company success and wealth creation.
- Develop an incubator facility, resources, methods and tools that contribute to the effective delivery of business assistance to client firms and that address the developmental needs of each company.
- Seek to integrate the incubator program and activities into the fabric of the community and its broader economic development goals and strategies.
- Develop stakeholder support, including a resource network, that helps the incubation program's client companies and supports the incubator's mission and operations.
- Maintain a management information system and collect statistics and other information necessary for ongoing program evaluation.
- Improves a program's effectiveness and allowing it to evolve with the needs of the clients.

Success factors for business incubators

- Access to Science and Technology
- Comprehensive Business Plan
- Stringent Selection Criteria
- Availability of Funding
- Quality of Entrepreneurs
- Stakeholder Support
- Supportive Govt policy
- Competent and motivated management
- Financial Sustainability
- Experienced Advisory Board
- Networking

Incubator Models:

The major incubator models are as follows:

- **First generation incubators:** The first model of incubators is basically oriented toward infrastructure component (building new facilities, such as science, technology parks or technopoles or by readapting abandoned buildings. These incubators are usually located near research institutes or technical university environments. This approach to development of incubators huge amount of public investment and funding usually supported by local, regional and state governments. This approach always demand high level of investments, have long development lifestyles and can suffer from lower level of financing in infrastructure.
- **University incubators:** University incubators are established by university of higher education institutions. Size and type of those incubators largely depend on kinds of universities. The common thing for these incubators is orientation toward innovative,

research based firms. Universities usually provide links with technology, research with additional support for commercialization.

- **Visual incubators:** Visual incubators are considered the second generation of incubators. Visual incubators are often hosted by a university or a research centre and are characterised by their capacity to operate both within walls and outside. When they operate as " incubators without walls" they serve newly created firms without hosting them within the incubators' facilities.
- **International enterprise centres-international business incubators:** This model is considered the "third generation" of incubators. These incubators provide a full range of support services for the development of knowledge- based business. These incubators create link between different entities such as universities, research institutes, venture capital and international joint ventures.
- **Incubator networks:** This is a network of incubators within the same region or country or with the same focus. Their strength is based on their capacity to share knowledge and resources and on the linkages and synergies that can be created in a research and development framework.
- **Dot. Com incubators:** It present a model with specific features . This model of incubators or internet business accelerators are a relatively recent but well-known phenomenon in developed markets.

Business Incubation:

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

Business incubation provides a nurturing, instructive and supportive environment for entrepreneurs during the critical stages of starting up a new business.

Objectives:

- To provide focused support to entrepreneurs through a supportive environment that helps them establish their business ideas and develop their concepts into market ready products,
- Supports the acquisition of business knowledge,
- Facilitates the raising of necessary finance,
- Introduces the entrepreneurs to business networks all of which should substantially reduce the level of failure.
- Allow new entrepreneurs to start their business by reducing the related costs and risk
- Increase their chances of survival and success by building capacity and networks
- Promotion of new Business Sector, especially in Innovation and ICT
- Part of major Industrial Restructuring

BENEFITS

- Advisory Services: Incubator staff serves as advisors to all client companies holding regular as well as informal meetings with each client to address strategic and tactical needs.
- Finance & Accounting: Assistance with budgeting, tax and reporting issues can be provided by appropriate Incubator organizations.
- Intellectual Property : Incubator management, the Mentoring Team and other business service providers will review intellectual property strategy.
- Legal Assistance: The Incubator maintains relationships with a number of law firms that provide some level of pro bono assistance and/or reduced rates for Incubator clients
- Office Operations (i) Individual Services: Business address, mail service, Internet connection, and conference/meeting rooms
  (ii) Shared Services: Shared office equipment (fax, laser printer, copier) Audio-visual equipment Other miscellaneous equipment
- Public Relations & Marketing : Incubator management, the Mentoring Team and other business service providers will review strategies.
- Sales Assistance: Incubator management and advisors will assist clients in developing sales strategies and understanding the sales process. If necessary, referrals will be made to professional service providers who can further assist in developing and implementing effective sales strategies.

Four Phases of Business Incubation:

- Pre Incubation - Research support, training, business Planning
- Early Stage - Advice, Marketing, Technical, Legal, Accounting
- Classic Incubation -Accommodation, Funding Access, Network, Support
- Graduation - Marketing Close Support

Role of Business Incubation

• Business incubation has been identified as a means of meeting a variety of economic and socioeconomic policy needs, which may include

• Creating jobs and wealth

• Fostering a community's entrepreneurial climate

• Technology commercialization

• Diversifying local economies

• Building or accelerating growth of local industry clusters

• Business creation and retention

• Encouraging women or minority entrepreneurship

• Identifying potential spin-in or spin-out business opportunities

• Community revitalization